

**STATE OF MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 1997**

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December 12, 1997

The Honorable Arne H. Carlson, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, the Department of Finance is pleased to submit the Comprehensive Annual Financial Report for the State of Minnesota for the fiscal year ended June 30, 1997. This report includes the financial statements for the state, and the disclosure necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units and has earned an unqualified audit opinion.

The Department of Finance is responsible for the accuracy, fairness, and completeness of the financial statements, including all disclosures, presented in this report. The information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the state's financial activities.

The report is divided into three sections: Introductory Section; Financial Section, including the auditor's opinion and basic financial statements; and the Statistical Section, containing financial and other data for prior and current years. The Notes to the Financial Statements, in the financial section, are necessary for an understanding of the information included in the statements. They include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.

Financial Reporting Entity

The financial reporting entity consists of all the funds and account groups of the primary government, as well as its component units. Component units are legally separate organizations for which the state government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on the state government.

The Housing Finance Agency, Higher Education Services Office, Minnesota Public Facilities Authority, Minnesota Technology, Inc., Metropolitan Council, Minnesota Rural Finance Authority, Minnesota Agricultural and Economic Development Board, Export Finance Authority, University of Minnesota, Minnesota Workers Compensation Assigned Risk Plan, and the National Sports Center Foundation are component units reported discretely. The state has either the ability to impose its will over these agencies or provides substantial funding.

Economic Condition and Outlook

Minnesota's economy continued to out perform the national averages during fiscal year 1997. In June the state's unemployment rate stood at 3.2 percent, down 0.9 percentage points from the 4.1 percent observed one year earlier. That unemployment rate was well below the national rate of 5.0 percent. Payroll employment in Minnesota grew by 53,000 jobs during the 1997 fiscal year. In fiscal year 1997 employment in Minnesota grew by 2.2 percent, the same rate as the U.S. average. At present, the state's most serious economic challenge is ensuring there will be sufficient workers to fill the jobs currently being generated.

Personal income in Minnesota is now estimated to have grown at a 6.6 percent annual rate during fiscal year 1997, well above the national average of 5.3 percent. Wage growth was strong, but as in neighboring Midwestern states, all of whom also had strong growth in personal income, the agricultural sector was a major contributor. Prices were higher than average, yields were strong, and federal farm program payments under the 1996 farm bill were much larger than they would have been under the previous program.

Personal income in Minnesota is forecast to grow by 5.0 percent during the 1998 fiscal year, slightly below the average rate forecast for the nation. Payroll employment is expected to grow at a 2.1 percent annual rate, consistent with the national average. Wage and salary income growth, however, is projected to lag the national average rate as states outside the Midwest also begin to feel labor market pressures and part-time workers elsewhere increase their hours to, or beyond, the levels they desire. Farm income in the 1998 fiscal year is also forecast to be down from the high levels reported during fiscal year 1997 since commodity prices have returned to more normal levels.

Major Program Initiatives

Department of Children, Families and Learning continues integrating programs for children and families. The Department of Children, Families, and Learning (CFL) was created on October 1, 1995 replacing the existing Department of Education. Beginning in fiscal year 1997 the department incorporated children's programs from the Departments of Economic Security, Human Services, Corrections, Public Safety and Minnesota Planning. The new agency is charged with streamlining and integrating services aimed at children and their families and serving as a focal point for policy development and service delivery for this population.

Minnesota State College and University System (MnSCU) completes campus consolidations. Fiscal year 1997 was the second full year of operation of the MnSCU system, which brought together the seven universities, 21 community colleges and 34 technical colleges under the governance of a single board of trustees. MnSCU completed several administrative consolidations, bringing to eleven the number of combined community-technical colleges.

Welfare system reforms. Minnesota continued implementing innovative alternatives to the federal Aid to Families with Dependent Children (AFDC) program in fiscal year 1997. Demonstration counties in rural and metropolitan areas found that the Minnesota Family Investment Program (MFIP) had positive impacts on participants' income. This new program ensures that enrollees always have financial incentives to work outside the home and are not penalized by losing health coverage or child care services. A modified MFIP program will be implemented state-wide in fiscal year 1998 as the state responds to sweeping federal welfare law changes.

Health care delivery. To improve service and slow cost growth, Minnesota implemented new health care delivery strategies in fiscal year 1997. The most widespread change is a shift from fee for service plans to managed care systems. At the end of 1997, portions of the Medical Assistance, General Assistance Medical Care, and MinnesotaCare populations had been moved to managed care systems. According to current law, additional counties will be moved to managed care plans in 1998 and beyond.

School "Shift" repayment. Healthy budget surpluses in fiscal year 1997 allowed for continued reversal of two school aid "shifts" first implemented in the mid-1980s as budget-balancing tools. In both cases, the timing of state aid payments to school districts were adjusted to provide one-time savings to the state. A total of \$337 million was paid to school districts in fiscal year 1997 to further reverse the two shifts, following \$315 million in payments in fiscal year 1996, and \$172 million in fiscal years 1994 and 1995. These payments reverse all but approximately \$95 million of the shifts.

Performance management and reporting. In 1994, Minnesota began to increase state government accountability to Minnesota citizens by enhancing and formalizing the flow of information about agency and program performance. The 1996 performance reports, available in printed form and through the internet, provide a storehouse of information about state program performance that offers insights into the effectiveness and efficiency of state government.

In fiscal year 1997 Minnesota Planning began efforts to review and improve the structure, information and usefulness of Minnesota Milestones. As part of the project, the major state goals, indicators, and measurement data are being reviewed along with strategies to expand and present additional "report card" data for functional areas. A training program is being organized under the auspices of the Minnesota Quality College to continue to develop and expand effective quality management practices within state government.

Information technology investments. In fiscal year 1997 the Minnesota Office of Technology was created to provide strategic direction for state information technology investments critical to the delivery of effective government services to citizens. In 1997, the State's first information technology budget was presented to the legislature. The budget compiled all proposed enterprise-wide and agency specific technology initiatives in a format which emphasized agency preparation and planning, long-term costs, and system benefits. Most importantly, the state master plan for information technology provides goals and strategies for investing in broad statewide initiatives such as long distance learning and telemedicine, as well as agencies' technology infrastructure and program specific systems.

Purchasing card program. During fiscal year 1997, the state piloted a purchasing card program. The purpose of the card is to streamline the purchasing process while getting payments to vendors more quickly. The program enables selected employees to easily make small dollar purchases of supplies needed in their jobs. Three large agencies had pilot programs that were judged successful by both agencies and the Departments of Administration and Finance, co-sponsors of the program. Vendors were also very pleased with the use of credit cards by state agencies.

The program will be made available throughout the three agencies and other agencies will begin to test the program for their use. A test, or pilot, is required in each agency to ensure that the needed controls are maintained over issuance and uses of the card. Currently the cards cannot be used for travel expenses. With the success of these pilot programs the Departments of Administration and Finance will review the use of the card for employee travel expenses.

Accounts receivable management. The 1997 Legislature increased state agency's responsibility for collection of accounts receivable by mandating that any debt owed to a state agency be referred to the Minnesota Collection Enterprise when the debt becomes 121 days past due. The Minnesota Collection Enterprise is a unit in the collection division of the Department of Revenue.

In conjunction with this legislation the Department of Finance has expanded its efforts in working with agencies on accounts receivable management. State agencies are encouraged to better manage accounts receivable during the first 121 days the debt is past due. In addition, the department is monitoring state agency activity to ensure compliance with the legislation. With the increased effort to collect or write off past due debt we anticipate that the amount more than one year past due will be greatly reduced during fiscal years 1998 and 1999.

Preparation for the change of century. Like all organizations, the state of Minnesota is preparing itself for the change of century. A central project office was established to coordinate both planning and budgeting for changes needed so that all systems are year 2000 compliant in time to avoid business interruption. In 1997, \$23

million was appropriated for all agencies to make preparations to modify or replace all critical systems that were not year 2000 compliant. An additional \$5 million will be requested in fiscal year 1998 to cover additional identified costs. In addition to these amounts, many agencies are using existing resources to prepare for the change of century.

While the project office is coordinating the effort, each agency is responsible for ensuring that business will continue uninterrupted after January 1, 2000. The state's accounting and procurement system, MAPS, is being upgraded to make it year 2000 compliant. Implementation of the upgraded system is scheduled for December 1998.

Financial Information

The Department of Finance is responsible for MAPS (Minnesota Accounting and Procurement System) and the information warehouse from which these financial statements were prepared. MAPS is maintained primarily on a budgetary basis of accounting. However, certain accrual information is recorded in MAPS. The budgetary basis recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year end are considered expenditures. Since this budgetary basis differs from GAAP, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. These disparate bases result in budgetary fund balances which often differ significantly from those calculated under GAAP.

The Department of Finance is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

Budget process. The state's fiscal period is a biennium. The Governor's biennial budget is presented to the legislature in January of the odd numbered years for the upcoming biennium. State statutes require a balanced budget. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Game and Fish, Natural Resources, Minnesota Resources, Environmental, Solid Waste and Health Care Access Funds.

Budgetary control is provided primarily through the accounting system. Appropriations are established in the accounting system at the amounts provided in the appropriation laws. The accounting system does not permit expenditures in excess of these amounts.

General Fund. During fiscal year 1997, the total fund balance, on a GAAP basis, for the General Fund increased by \$66.9 million to \$1.486 billion. At June 30, 1997, the unreserved, undesignated portion of the fund balance reflected a positive balance of \$642.3 million, after providing for a \$583.5 million budgetary reserve. This compares with a \$491.9 million unreserved, undesignated fund balance at the end of fiscal year 1996 with a \$570 million budgetary reserve. On a budgetary basis, the June 30, 1997, unrestricted (undesignated) fund balance for the General Fund was \$812.7 million, compared with a balance of \$506 million at the end of 1996.

General Fund revenues and transfers-in totaled \$10.412 billion for fiscal year 1997, up 8 percent from those for fiscal year 1996. General Fund expenditures and transfers-out for the year totaled \$9.926 billion, an increase of 3 percent from the previous year. Of this amount, \$6.917 billion (70 percent), is in the form of grants and subsidies to local governments, individuals and non-profit organizations.

General government functions. General government functions are funded from the General, special revenue, capital projects and Debt Service Funds. These funds account for the activities of most state operations, including those also financed from transportation, natural resources and federal revenue sources, plus numerous other smaller revenue sources. The total fund balances for all of these funds increased by \$80.8 million, with a General Fund balance increase of \$66.9 million, special revenue funds increase of \$81.4 million and Debt Service Fund increase of \$19.8 million. The capital projects funds reported a decrease of \$87.3 million.

The net revenues, expenditures and transfers for these funds are presented below (expressed in thousands). The percent of total and the increases or decreases over fiscal year 1996 are also presented.

<u>NET REVENUES</u>	<u>Amount</u>	<u>%</u>	<u>Increase(Decrease) over F.Y. 1996</u>	
			<u>Amount</u>	<u>%</u>
Individual Income Taxes	\$4,757,086	30.1%	\$628,060	15.2%
Corporate Income Taxes	665,321	4.2%	(31,072)	(4.5%)
Sales Tax	3,013,188	19.1%	79,302	2.7%
Fuel Taxes	542,896	3.4%	22,194	4.3%
Other Taxes	1,985,806	12.6%	82,931	4.4%
Federal Revenues	3,498,849	22.2%	114,251	3.4%
Investment/Interest Income	198,813	1.3%	57,491	40.7%
Tuition and Student Fees	278,575	1.8%	8,683	3.2%
Other Revenue	<u>836,568</u>	<u>5.3%</u>	<u>22,262</u>	<u>2.7%</u>
Total Net Revenue	\$15,777,102	100.0%	\$984,102	6.7%

Overall revenue increases were slightly above recent years. The increase in individual income, and sales tax were the result of a generally favorable economic climate. Also, large corporate acquisitions resulting in shareholder benefits resulted in an increase in individual income taxes. The increase in investment earnings is

attributable to the favorable cash position that the state was able to maintain as a result of the increased revenue collections. Other revenue consists of license fees, departmental earnings, care and hospitalization, and various miscellaneous earnings. Corporate income tax decreased due to extremely large corporate refunds to several companies.

<u>EXPENDITURES & NET TRANSFERS</u>	<u>Amount</u>	<u>%</u>	Increase(Decrease) over F.Y. 1996	
			<u>Amount</u>	<u>%</u>
Protection of Persons and Property	\$230,715	1.5%	\$28,171	13.9%
Transportation	403,841	2.6%	51,657	14.7%
Resource Management	290,019	1.9%	(1,634)	(.6%)
Economic and Manpower Development	209,422	1.4%	18,084	9.4%
Education	886,534	5.8%	147,473	19.9%
Health and Social Services	849,510	5.5%	112,992	15.4%
General Government	302,551	2.0%	3,626	1.2%
Capital Outlays	486,337	3.2%	(22,479)	(4.4%)
Debt Service	378,729	2.4%	(143,571)	(31.9%)
Grants and Subsidies	<u>10,221,263</u>	<u>66.5%</u>	<u>239,467</u>	<u>2.4%</u>
Total Expenditures	\$14,258,921	92.8%	\$433,786	3.1%
Net Transfers-Out	<u>1,101,600</u>	<u>7.2%</u>	<u>74,267</u>	<u>7.2%</u>
Total Expenditures and Net Transfers	\$15,360,521	100.0%	\$508,053	3.4%

Education expenditures increased as a result of a reversal of the "shift" in timing of the school aid payments. Debt service decreased as a result of last years \$228.6 million in claims and judgments resulting from litigation. Protection of Persons and Property expenditures increased due to the assistance provided to local units and individuals as a result of our snow and flood disasters. A large portion of the additional expenses will be reimbursed by Federal Emergency Management Administration. Expenditures for transportation projects had decreased in fiscal year 1996. The increase this year is a result of a carryover of the projects and funding to the current year. Increases in medicaid payments and the development of a new computer system for the Department of Human Services resulted in increased expenditures for Health and Social Services.

Enterprise fund operations. Retained earnings for the enterprise funds increased by \$5.6 million to \$154.7 million. Enterprise funds provide services to the general public and are expected to recover full costs, primarily through user charges. Included among the enterprise funds is the State Lottery Fund, whose income of \$64.5 million after taxes was transferred to other state funds. This is approximately the same amount as last year's transfer. The Minnesota Correctional Industries reported a net income of \$.9 million compared with a net loss of \$.4 million in fiscal year 1997. As a result of economic conditions occurring in the small group health insurance market the Private Employers Insurance fund will be discontinued effective September 1998.

Internal service fund operations. State internal service funds provide a variety of services to state agencies. These include computer services, motor pool, telecommunications, printing, management of the capitol complex buildings and insurance (employee health and life, and auto liability). The objective of these funds is to recover the full costs of services provided to other state agencies. The internal service funds reported a net loss of \$9 million for fiscal year 1997 with total operating revenues of \$348.2 million. The internal service funds ended the year with total retained earnings of \$73.4 million, down \$8.7 million from last year. The largest fluctuation in retained earnings occurred in the Employee Insurance Fund, with a net loss of \$6.6 million compared to net income of \$.7 million in fiscal year 1996. The majority of this loss is a result of medical claims exceeding revenue collected from employees and state agencies participating in the state health plan.

Fiduciary fund operations. Contributions to the various pension plans are set in statute at rates expected to fully amortize the unfunded pension benefit obligations of all plans by about 2020, with differing years for each fund. In recent years, contributions have been sufficient to cover the actuarially determined contribution requirements for most funds. Actuarial valuations are performed annually for all defined benefit pension funds, and the results are used to determine any changes needed in the contribution rates.

Grants totaling more than \$875.9 million were provided from the expendable trust funds, primarily to local governments and individuals. Of this amount, \$455.7 million of the various highway taxes went to cities and counties for roads and bridges. Another \$29.7 million from earnings on the Permanent School Fund assets was distributed to school districts. Most of the remainder of the grants were for unemployment benefits funded by taxes on employers. The fund balance for the Reemployment Compensation Fund increased by \$47.5 million to \$488.3 million.

Debt administration. Minnesota's credit ratings on general obligation bonds continued at AAA by Fitch Investors Service, Inc., and Aaa by Moody's Investors Service. Standard & Poor's Corporation raised the state's general obligation bond rating to AAA from AA+ in August 1997. Standard & Poor's stated "The rating upgrade reflects Minnesota's extremely strong financial position and fiscal management with established reserves that should be sufficient to maintain the creditworthiness during a future economic downturn. Other rating factors include the state's deep, steadily growing economic base that is diversified among services, trade and manufacturing; per capita income levels that exceed the U.S. average; and a moderate debt burden with manageable future capital needs. Although Minnesota's labor force has some slight concentration in the manufacturing base, the diversity among other sectors enables the state to perform well during national economic cycles."

The state issued \$170.0 million of new general obligation bonds, and \$172.1 million of general obligation bonds were redeemed during 1997, leaving an outstanding balance of \$2.2 billion.

The state has a debt management policy which has three goals:

- Maintain AAA/Aaa bond ratings
- Minimize state borrowing costs
- Provide a reasonable financing capacity within a prudent debt limit

The state debt management policy has four guidelines. The first requires that the ratio of budgeted biennial debt service expenditures for general obligation bonded debt, paid by transfers from the General Fund, should not exceed 3.0 percent of total projected biennial General Fund non-dedicated revenues, net of refunds, on a budgetary basis. The ratio of transfers to net non-dedicated revenues for the biennium ending June 30, 1997, is 2.47 percent.

The second and third guidelines state that general obligation bonded debt should not exceed 2.5 percent of the total personal income for the state, and also that the total debt of state agencies and the University of Minnesota should not exceed 3.5 percent of total personal income. These ratios were 1.72 percent and 2.82 percent, respectively, based on debt outstanding at June 30, 1997, and estimated personal income for the year ending on that date.

The fourth guideline states that the total amount of state general obligation debt, moral obligation debt, state bond guarantees, equipment capital leases and real estate leases should not exceed 5.0 percent of the total personal income for the state. The ratio was 3.67 percent based on information at June 30, 1997.

Risk management. The state is prohibited by statute from insuring property against loss. Certain agencies and programs are exempted from this prohibition including; the Stillwater Prison, State Universities, Community Colleges, Family Farm Security Program, Department of Military Affairs, Iron Range Resources and Rehabilitation Board, and the Sibley House. The Commissioner of the Department of Administration may authorize the purchase of insurance on state properties should it be deemed necessary and appropriate to protect buildings and content. All losses of state property are self-insured or are covered by programs of the Risk Management Fund (an internal service fund) or by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Employee health, dental and life insurance are provided mainly through contracts with outside organizations. However, the state retains the potential for liabilities for some health plans. Over time premiums collected for these benefits have been sufficient to cover claims submitted.

Audits

The independent Office of the Legislative Auditor performs post-audits of the activities of state agencies. Accordingly, they performed the audit of these financial statements and their opinion is included. They also issue an audit report to each state agency and a summary report to the legislature.

As a part of the audit of these financial statements, a single audit of federal programs is being conducted by the Office of the Legislative Auditor. This audit meets the requirements of the federal Single Audit Act of 1984. The audit covers federal program activities for state agencies for the year ended June 30, 1997. A supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in April 1998.

Certificate

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Minnesota has received a Certificate of Achievement for each of the last eleven fiscal years through June 30, 1996. The Department of Finance believes this current report continues to conform to the Certificate of Achievement Program requirements, and is being submitted to the GFOA.

Acknowledgments

Although the Department of Finance accepts final responsibility for this report, much of the data was provided by staff in many other state agencies and component units. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements for their agencies' funds. I want to express my appreciation for the dedication of the many people in the Department of Finance who helped in the preparation of this report, as well as for the many people in other agencies, without whose efforts this report, with its unqualified audit opinion, would not have been possible.

Sincerely,



Wayne Simoneau
Commissioner

STATE OF MINNESOTA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	PRIMARY GOVERNMENT TOTALS FOR THE YEAR ENDED (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	JUNE 30, 1997	COMPONENT UNITS
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ 62,656	\$ (4,167)	\$ 37,788	\$ 96,277	\$ 37,269
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	\$ 7,020	\$ 18,845	\$ -	\$ 25,865	\$ 63,143
Amortization	25	196	-	221	516
Investment Income	-	-	(34,196)	(34,196)	(55,051)
Interest and Financing Costs	-	-	-	-	154,736
Loan Principal Repayments	5,727	-	-	5,727	246,663
Loans Issued	(7,692)	-	-	(7,692)	(384,637)
Provision for Loan Defaults	53	-	-	53	2,988
Customer Deposits	-	-	-	-	54,918
Return of Customer Deposits	-	-	-	-	(69,307)
Net Nonoperating Revenues(Expenses)	2,687	-	-	2,687	(6,319)
Change in Assets and Liabilities:					
Accounts Receivable	(5,083)	7,647	629	3,193	75,710
Inventories	1,188	28	-	1,216	(2,133)
Other Assets	(20)	66	-	46	6,454
Accounts Payable	(8,420)	(2,137)	6	(10,551)	9,090
Interfund Payables	-	-	(472)	(472)	-
Deferred Revenues	(18)	200	-	182	(11,208)
Claims and Judgements	-	-	-	-	(169,000)
Other Liabilities	3,991	145	-	4,136	670
Net Reconciling Items to be Added (Deducted) from Operating Income	\$ (542)	\$ 24,990	\$ (34,033)	\$ (9,585)	\$ (82,767)
Net Cash Flows from Operating Activities	\$ 62,114	\$ 20,823	\$ 3,755	\$ 86,692	\$ (45,498)
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	\$ 4,493	\$ -	\$ -	\$ 4,493	\$ 100,102
Grant Disbursements	(3,102)	-	-	(3,102)	(99,539)
Other Nonoperating Expenses	-	-	-	-	-
Transfers-In	4,999	-	23,432	28,431	93,297
Transfers-Out	(63,953)	(9,517)	(34,408)	(107,878)	-
Residual Equity Transfers-In	-	-	1,352	1,352	-
Residual Equity Transfers-Out	-	(96)	-	(96)	-
Advances from Other Funds	243	5,999	-	6,242	-
Advances to Other Funds	(29)	-	-	(29)	-
Repayments of Advances to Other Funds	-	18	-	18	-
Repayments of Advances from Other Funds	-	(4,615)	-	(4,615)	-
Proceeds from Bond Sales	-	-	-	-	317,832
Repayment of Debt	-	-	-	-	(321,031)
Bond Issuance Costs	-	-	-	-	(3,218)
Funds Deposited in Escrow for Bond Refunding	-	-	-	-	327
Interest Paid	-	-	-	-	(151,781)
Net Cash Flows from Noncapital Financing Activities	\$ (57,349)	\$ (8,211)	\$ (9,624)	\$ (75,184)	\$ (64,011)
Cash Flows from Capital and Related Financing Activities:					
Investment in Fixed Assets	\$ (9,877)	\$ (14,148)	\$ -	\$ (24,025)	\$ (51,535)
Proceeds from the Sale of Fixed Assets	329	715	882	1,926	302
Repayments of Advances to Other Funds	-	-	-	-	(268)
Capital Contributions	63	-	-	63	35,327
Capital Lease Payments	-	412	-	412	-
Proceeds from Loans	-	15,540	-	15,540	-
Repayment of Loan Principal and Other Capital Debt	-	(16,394)	-	(16,394)	-
Proceeds from Bond Sales	-	-	-	-	80,794
Repayment of Bond Principal	(1,769)	(10)	-	(1,779)	(61,617)
Interest Paid	(2,217)	(1,937)	-	(4,154)	(35,096)
Net Cash Flows from Capital and Related Financing Activities	\$ (13,471)	\$ (15,822)	\$ 882	\$ (28,411)	\$ (32,093)

STATE OF MINNESOTA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	PRIMARY GOVERNMENT TOTALS FOR THE YEAR ENDED (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	JUNE 30, 1997	COMPONENT UNITS
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	\$ 45,243	\$ -	\$ 5,256	\$ 50,499	\$ 1,262,823
Purchase of Investments	(42,480)	-	(20,016)	(96,600)	(1,310,891)
Investment Earnings	-	-	6,235	6,543	43,985
Net Cash Flows from Investing Activities	\$ 8,998	\$ (13,473)	\$ 15,137	\$ 10,662	\$ 67,826
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 292	\$ (16,683)	\$ 10,150	\$ (6,241)	\$ (73,776)
Cash and Cash Equivalents, Beginning	60,424	91,501	33,150	185,075	714,840
Prior Period Adjustments	-	-	284	-	284
Cash and Cash Equivalents, Ending	\$ 60,716	\$ 75,102	\$ 43,300	\$ 179,118	\$ 641,064

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

Cash and Cash Equivalents for the Nonexpendable Trust Funds and the Component Units as of June 30, 1997, on the Combined Statement of Cash Flows is reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

Cash and Cash Equivalents June 30, 1997:
(In Thousands)

Fiduciary Funds:	
Pension Trust Funds	\$ 458,041
Nonexpendable Trust Funds	43,300
Expendable Trust Funds	933,070
Agency Funds	218,160
Total Fiduciary Funds	\$ 1,652,571
Component Units:	
Governmental Funds	\$ 86,714
Proprietary Funds	641,064
University Fund	561,576
Total Component Units	\$ 1,289,354

Noncash Investing, Capital, and Financing Activities:

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the Internal Service Funds because a portion of the depreciation is included in the Cost of Goods Sold

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

DEFINED BENEFIT PENSION FUNDS
COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				TEACHERS RETIREMENT ASSOCIATION		MINNESOTA STATE RETIREMENT SYSTEM						TOTALS FOR THE YEAR ENDED JUNE 30, 1997			
	PUBLIC EMPLOYEES RETIREMENT		POLICE AND FIRE CONSOLIDATION		TEACHERS RETIREMENT		STATE EMPLOYEES RETIREMENT		STATE PATROL RETIREMENT		CORRECTIONAL EMPLOYEES RETIREMENT		JUDICIAL RETIREMENT			
Additions:																
Contributions:																
Employer.....	\$ 136,686	\$ 39,508	\$ 13,509	\$ 154,160			\$ 66,568	\$ 6,151	\$ 9,129	\$ 6,632	\$ 167	\$ 3,190	\$ 435,700			
Member.....	128,234	26,354	3,950	191,670			63,848	3,746	5,507	1,457	42	684	425,492			
Contributions from Other Sources.....	-	-	-	-											10	
Total Contributions.....	\$ 264,920	\$ 65,862	\$ 17,459	\$ 345,830			\$ 130,416	\$ 9,897	\$ 14,636	\$ 8,099	\$ 209	\$ 3,874	\$ 861,202			
Investment Income:																
Net Appreciation in fair value of investments.....	\$ 685,804	\$ 200,551	\$ 91,076	\$ 1,167,322			\$ 465,422	\$ 36,986	\$ 23,592	\$ 7,997	\$ -	\$ 2,266	\$ 2,681,016			
Interest.....	59,035	28,380	8,136	116,088			55,801	4,042	3,156	456	-	-	275,094			
Dividends.....	243,544	115,473	32,078	495,278			236,216	16,802	12,802	1,378	-	-	1,153,571			
Distributed Pension Investment Trust Fund Income.....	402,949	49,852	49,059	522,022			181,851	18,029	6,919	6,219	-	2,072	1,238,972			
Less Investment Expense.....	(4,561)	(2,161)	(604)	(9,207)			(4,398)	(313)	(239)	(26)	-	-	(21,509)			
Net Investment Income.....	\$ 1,386,771	\$ 392,095	\$ 179,745	\$ 2,291,503			\$ 934,892	\$ 75,546	\$ 46,230	\$ 16,024	\$ -	\$ 4,338	\$ 5,327,144			
Securities Lending Revenues (Expenses):																
Securities Lending Income.....	\$ 49,197	\$ 13,135	\$ 6,320	\$ 80,012			\$ 32,253	\$ 2,665	\$ 1,562	\$ 585	\$ -	\$ 165	\$ 185,894			
Borrower Rebates.....	(45,059)	(12,012)	(5,788)	(73,393)			(29,514)	(2,440)	(1,429)	(537)	-	(152)	(170,324)			
Management Fees.....	(1,314)	(357)	(169)	(2,101)			(873)	(72)	(42)	(15)	-	(4)	(4,947)			
Net Securities Lending Revenue.....	\$ 2,824	\$ 766	\$ 363	\$ 4,518			\$ 1,866	\$ 153	\$ 91	\$ 33	\$ -	\$ 9	\$ 10,623			
Total Investment Income.....	\$ 1,389,595	\$ 392,861	\$ 180,108	\$ 2,296,021			\$ 936,758	\$ 75,699	\$ 46,321	\$ 16,057	\$ -	\$ 4,347	\$ 5,337,767			
Transfers from Other Funds.....	\$ -	\$ -	\$ -	\$ -			\$ 2,455	\$ -	\$ 3,715	\$ -	\$ -	\$ -	\$ 6,170			
Other Additions.....	1,133	59	33,647	705			-	-	-	-	-	-	35,544			
Total Additions.....	\$ 1,655,648	\$ 458,782	\$ 231,214	\$ 2,642,556			\$ 1,069,629	\$ 85,596	\$ 64,672	\$ 24,156	\$ 209	\$ 8,221	\$ 6,240,683			
Deductions:																
Benefits.....	\$ 342,155	\$ 43,045	\$ 47,322	\$ 427,588			\$ 150,676	\$ 14,642	\$ 6,268	\$ 7,560	\$ 160	\$ 2,639	\$ 1,042,055			
Refunds of Contributions.....	16,267	933	8	10,899			14,649	30	367	-	-	119	43,272			
Administrative Expenses.....	6,786	587	297	5,191			2,714	208	255	72	5	50	16,165			
Transfers to Other Funds.....	-	-	-	-			4,617	-	24	-	-	-	4,641			
Total Deductions.....	\$ 365,208	\$ 44,565	\$ 47,627	\$ 443,678			\$ 172,656	\$ 14,880	\$ 6,914	\$ 7,632	\$ 165	\$ 2,808	\$ 1,106,133			
Net Increase.....	\$ 1,290,440	\$ 414,217	\$ 183,587	\$ 2,198,878			\$ 896,973	\$ 70,716	\$ 57,758	\$ 16,524	\$ 44	\$ 5,413	\$ 5,134,550			
Net Assets Held in Trust for Pension Benefits:																
July 1, as Reported.....	\$ 5,702,247	\$ 1,592,671	\$ 746,671	\$ 9,385,746			\$ 3,896,040	\$ 318,335	\$ 189,460	\$ 64,514	\$ 413	\$ 22,532	\$ 21,918,629			
Prior Period Adjustments.....	905,507	202,444	101,487	1,336,686			540,603	46,968	24,671	11,195	-	3,464	3,173,025			
July 1, as Restated.....	\$ 6,607,754	\$ 1,795,115	\$ 848,158	\$ 10,722,432			\$ 4,436,643	\$ 365,303	\$ 214,131	\$ 75,709	\$ 413	\$ 25,996	\$ 25,091,654			
Net Assets Held in Trust for Pension Benefits, June 30.....	\$ 7,898,194	\$ 2,209,332	\$ 1,031,745	\$ 12,921,310			\$ 5,333,616	\$ 436,019	\$ 271,889	\$ 92,233	\$ 457	\$ 31,409	\$ 30,226,204			

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

UNIVERSITY OF MINNESOTA
STATEMENT OF CHANGES IN FUND BALANCES - CONSOLIDATED TOTALS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	<u>CONSOLIDATED TOTALS</u>
Revenues and Other Additions:	
Unrestricted Revenues.....	\$ 585,481
Federal Appropriations.....	15,938
Transfers from Primary Government.....	572,028
Federal Grants and Contracts.....	240,372
Other Government Grants and Contracts.....	3,913
Private Gifts, Grants, and Contracts.....	217,147
Endowment Income.....	9,790
Investment Income.....	6,169
Realized Gains and Adjustments to Market Value, Net.....	82,925
Student Loan Interest.....	1,725
Expended for Plant Facilities.....	171,024
Retirement of Indebtedness.....	11,571
Other Additions.....	2,852
 Total Revenues and Other Additions.....	<u>\$ 1,920,935</u>
Expenditures and Other Deductions:	
Education and General.....	\$ 1,334,428
Auxiliary Enterprises.....	146,162
Indirect Costs Recovered.....	53,050
Adjustments to Carrying Value of Loans.....	56
Administrative and Collection Costs.....	573
Expended for Plant Facilities.....	124,268
Transfer to Primary Government.....	5,238
Retirement of Indebtedness.....	11,571
Interest on Indebtedness.....	11,429
Depreciation of Investment in Plant.....	91,952
Loss on Disposal of Plant.....	13,996
 Total Expenditures and Other Deductions.....	<u>\$ 1,792,723</u>
Net Transfers, Additions (Deductions).....	<u>\$ 15,181</u>
Net Increase for the Year from Continuing Operations.....	<u>\$ 143,393</u>
Discontinued Operations, Hospitals and Clinics:	
Gain on transfer of Hospitals & Clinics.....	\$ 3,372
Gifts Transferred to Minnesota Medical Foundation.....	(14,467)
Net Transfers, Additions (Deductions).....	<u>(15,181)</u>
 Net Decrease for the Year from Discontinued Operations.....	<u>\$ (26,276)</u>
Net Increase for the Year	<u>\$ 117,117</u>
Fund Balance, July 1, 1996, as Reported.....	\$ 2,022,462
Change in Accounting Principle.....	(124,235)
Fund Balance, July 1, 1996, as Restated.....	<u>\$ 1,898,227</u>
 Fund Balance, June 30, 1997.....	<u><u>\$ 2,015,344</u></u>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

UNIVERSITY OF MINNESOTA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	UNRESTRICTED	RESTRICTED	TOTAL
Revenues and Transfers from Primary Government:			
Tuition and Fees	\$ 230,776	\$ -	\$ 230,776
Federal Appropriations	-	16,303	16,303
Transfers from Primary Government	395,890	125,754	521,644
Federal Grants and Contracts	46,151	196,443	242,594
Other Government Grants and Contracts	246	3,084	3,330
Private Gifts, Grants and Contracts	13,899	192,651	206,550
Endowment Income	20	9,760	9,780
Investment Income	26,482	2,028	28,510
Realized Gains and Adjustments to Market Value, Net	174	116	290
Sales and Services of Educational Activities	86,557	-	86,557
Sales and Services of Auxiliary Enterprises	181,176	-	181,176
Total Revenues and Transfers from Primary Government....	\$ 981,371	\$ 546,139	\$ 1,527,510
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	\$ 344,105	\$ 76,683	\$ 420,788
Research	43,813	270,760	314,573
Public Service	22,745	91,385	114,130
Academic Support	118,921	50,539	169,460
Student Services	45,617	4,600	50,217
Instructional Support	76,280	5,738	82,018
Operation and Maintenance of Plant	105,306	314	105,620
Scholarship and Fellowships	35,368	41,561	76,929
Education and General Expenditures	\$ 792,155	\$ 541,580	\$ 1,333,735
Mandatory Transfers for			
Principal and Interest	5,031	109	5,140
Loan Fund Matching Grant	581	(502)	79
Total Education and General.....	\$ 797,767	\$ 541,187	\$ 1,338,954
Auxiliary Enterprises:			
Expenditures	\$ 141,210	\$ 4,952	\$ 146,162
Mandatory Transfers for			
Principal and Interest	1,146	-	1,146
Renewals and Replacements.....	128	-	128
Total Auxiliary Enterprises	\$ 142,484	\$ 4,952	\$ 147,436
Total Current Expenditures and Mandatory Transfers.....	\$ 940,251	\$ 546,139	\$ 1,486,390
Other Transfers, Additions (Deductions):			
Excess of Restricted Additions Over Expenditures	\$ -	\$ 5,781	\$ 5,781
Refunded to Grantors	-	(1,409)	(1,409)
Nonmandatory Transfers	(41,264)	1,995	(39,269)
Total Other Transfers, Additions (Deductions)....	\$ (41,264)	\$ 6,367	\$ (34,897)
Net Increase (Decrease) in Fund Balance from Continuing Operations	\$ (144)	\$ 6,367	\$ 6,223
Discontinued University Hospital and Medical Clinics:			
Loss on Transfer of Hospitals & Clinics	\$ (7,831)	\$ 178	\$ (7,653)
Mandatory Principal and Interest Transfers.....	(48,664)	-	(48,664)
Gifts Transferred to Minnesota Medical Foundation.....	-	(9,206)	(9,206)
Nonmandatory Transfers	33,215	369	33,584
Net Decrease in Fund Balance from Discontinued Operations.	\$ (23,280)	\$ (8,659)	\$ (31,939)
Net Decrease in Fund Balance.....	\$ (23,424)	\$ (2,292)	\$ (25,716)

The notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1997

These notes provide disclosures relevant to the combined financial statements on the preceding pages.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation

The reporting policies of the state of Minnesota conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity of the State of Minnesota

This report includes the various state departments, agencies, institutions and organizational units which are controlled by or dependent upon the Minnesota legislature and/or its constitutional officers. The state, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The GASB has set forth criteria to be used in determining financial accountability. These criteria include the state's ability to appoint a voting majority of an organization's governing body and either the ability of the state to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the state.

As required by GAAP, these financial statements include the state of Minnesota (the primary government) and its component units. The state has identified and included within the financial reporting entity, as component units, legally separate organizations for which the state is financially accountable or for which a significant relationship with the state exists such that exclusion would cause the state's financial statement to be misleading or incomplete.

Discretely presented component units are entities that are legally separate from the state but for which the state is financially accountable, or their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. These component units are reported in a separate column and separately identified note disclosure because of their separate legal status.

Metropolitan Council (MC) (governmental and proprietary types). The MC is responsible for coordinating the planning and development of the seven-county metropolitan area. The MC operates the public transit system and the regional sewage collection and treatment system. The council members are appointed by the governor with the chair responsible for the council activities. The MC includes the Metropolitan Sports Facilities Commission as a component unit. The Metropolitan Council's fiscal year ends December 31.

Minnesota Technology, Inc. (MTI) (governmental type). The MTI fosters long-term economic growth and job creation by stimulating innovation and the development of new products, services, and production processes through technology transfer, applied research, and financial assistance. The state's General Fund provides most of the funding for the MTI.

Higher Education Services Office (HESO) (governmental and proprietary types). The HESO makes and guarantees loans to qualified post-secondary students. The HESO provides state grant and loan program services for which the state provides administrative funding. Revenue bonds are issued in its own name with limitations set by the legislature.

Export Finance Authority (EFA) (governmental type). The EFA aids and facilitates the financing of exports from the state. Excess revenue is transferred to the state's General Fund.

Agricultural and Economic Development Board (AEDB) (governmental type). The AEDB provides services to state government by administering state programs for agricultural and economic development. The AEDB may issue revenue bonds for the purpose of financing development projects.

Rural Finance Authority (RFA) (governmental type) The RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The RFA is under the administrative control of a commissioner appointed by the governor. The state has issued general obligation bond debt for the programs.

Housing Finance Agency (HFA) (proprietary type). The HFA provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes. The HFA is under the administrative control of a commissioner appointed by the governor. The HFA issues bonds in its own name.

Public Facilities Authority (PFA) (proprietary type). The PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to the PFA. The state provides funding for the PFA. The board members determine the funding for local government projects.

Workers' Compensation Assigned Risk Plan (WCARP) (proprietary type). The WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market. The state commissioner of the Department of Commerce enters into administrative contracts, sets premium rates and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets are inadequate to meet its obligations. The WCARP's fiscal year ends December 31.

National Sports Center Foundation (NSCF) (proprietary type). The NSCF is under contract with the Minnesota Amateur Sports Commission to operate the National Sports Center facility primarily for the purpose of holding youth-oriented athletic and other non-athletic functions and events. The NSCF is responsible for certain improvements to the facility and the operating costs of the facility. The commission approves the foundation's spending budget, approves all rates and fees and has ownership of any reserve funds. The assets belong to the state. The foundation's fiscal year ends December 31.

University of Minnesota (U of M) (college and university type). The U of M was established on a permanent basis by the Minnesota constitution. The state appropriates a large percentage of the University's operating budget. The governor appoints the 12-member board of regents, which governs the University, but the state does not have direct authority over University management. The state has issued debt for U of M capital projects.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Metropolitan Council
Mears Park Centre
230 East Fifth Street
St. Paul, Minnesota 55101

Minnesota Technology, Inc.
400 Mill Place
111 Third Avenue South
Minneapolis, Minnesota 55401

Agricultural & Economic Development Board
Dept. of Trade & Economic Development
121 East Seventh Place
St. Paul, Minnesota 55101

Higher Education Services Office
400 Capitol Square
550 Cedar Street
St. Paul, Minnesota 55101

Export Finance Authority
Department of Trade & Economic Development
100 World Trade Center
30 East Seventh Street
St. Paul, Minnesota 55101

Workers' Compensation Assigned Risk Plan
Park Glen National Insurance Company
4500 Park Glen Road, Suite 410
Minneapolis, Minnesota 55416

Rural Finance Authority
Department of Agriculture
90 West Plato Boulevard
St. Paul, Minnesota 55107

National Sports Center Foundation
National Sports Center
1700 105 Avenue Northeast
Blaine, Minnesota 55434

Housing Finance Agency
400 Sibley Street
Suite 300
St. Paul, Minnesota 55101

University of Minnesota
301 Morrill Hall
100 Church Street Southeast
Minneapolis, Minnesota 55455

Public Facilities Authority
Department of Trade & Economic Development
121 East Seventh Place
St. Paul, Minnesota 55101

The following organizations also prepare and publish their own financial reports, which may contain differences in presentation resulting from differing reporting emphasis. Copies of their reports may be obtained directly from the organization.

State Lottery
2645 Long Lake Road
Roseville, Minnesota 55113

Minnesota State Retirement System
175 West Lafayette Frontage Road
Suite 300
St. Paul, Minnesota 55107

Public Employees Retirement Association
200 Skyway Level
514 St. Peter Street
St. Paul, Minnesota 55102

State Board of Investment
105 MEA Building
55 Sherburne Avenue
St. Paul, Minnesota 55155

Teachers Retirement Association
500 Gallery Building
17 West Exchange Street
St. Paul, Minnesota 55102

Related entities are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities not included in the reporting entity.

Higher Education Facilities Authority. The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.

Joint Underwriting Association. The governor appoints a majority of each board. The board establishes the operating plan and determines premium rates and assessments. Membership in the associations is a condition for doing business in the state.

Medical Malpractice Joint Underwriting Association. The governor appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

Metropolitan Airports Commission. A majority of the voting commissioners are appointed by the governor. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.

State Fund Mutual Insurance Company. The governor appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments.

Workers' Compensation Reinsurance Association. The governor appoints a majority of the board. The association supports itself solely from revenues derived from premiums charged to its members. The state has no authority to affect the operations of the association.

Classification of Funds

Individual funds have been established as stipulated by legal provisions or by administrative discretion. The funds presented are classified as follows.

Governmental Funds account for the acquisition, use and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. Included in this classification are the General Fund (accounts for all financial resources except those required to be accounted for in another fund), special revenue, capital projects and debt service fund types. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

Proprietary Funds account for all assets, liabilities and equities, and match revenues and expenses to determine net income and capital maintenance. The fund types included in this category are the enterprise and internal service funds.

Fiduciary Funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Included in this fund category are expendable and nonexpendable trust, pension trust and agency fund types. Depending on their nature, fiduciary funds are classified for accounting measurement purposes like governmental (expendable trust funds) or proprietary funds (pension trust and nonexpendable trust funds). Agency funds are custodial in nature; thus they do not measure results of operations.

Account Groups provide the means to account for the fixed asset acquisitions and the general obligation long-term indebtedness for all governmental fund types.

Component Units account for the assets, liabilities and operations of discretely presented component units. Statements other than balance sheets are combined with statements of funds using a similar basis of accounting.

Basis of Accounting

All proprietary, pension trust and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized as they are incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for Defined Benefit and Defined Contribution pension plans. All proprietary funds, except the Workers' Compensation Assigned Risk Plan (WCARP) (a component unit) follow applicable GASB guidance or Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements. The WCARP has elected to follow all applicable FASB statements, issued after November 30, 1989 that do not contradict GASB pronouncements.

All governmental, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting includes the following recognition principles.

Revenues: Individual income, sales and unemployment compensation taxes and federal grants are the major revenue sources susceptible to accrual. Tax revenues are recognized in the period they become both measurable and available to finance expenditures of the current period. *Measurable* means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. *Available* means collectible by the September close of the books. Similarly, anticipated refunds of such taxes are recorded as reductions in revenue in the period when the claim is received and the state's liability is measurable. Federal grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made. Revenues collected on an advance basis, including certain

federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized.

Taxpayer assessed revenues are recognized in accordance with GASB Statement 22, Accounting for Taxpayer Assessed Tax Revenues. This principle requires that revenues are recognized in the accounting period in which they become susceptible to accrual. These tax revenues include sales, income, gasoline, medical providers, and miscellaneous taxes which are accrued when they become both measurable and available to finance expenditures of the fiscal period.

Expenditures and related liabilities: Expenditures and payables are recognized when fund obligations are incurred as a result of the receipt of goods and services, except principal and interest on long-term debt, which are recorded when due. Grant expenditures are discussed separately.

Encumbrances: Encumbrance accounting is used for budgetary control and reporting purposes only. In the financial statements, encumbrances are recorded in the balance sheet as a reservation of fund balance for subsequent year expenditures, except for those long-term commitments which rely significantly on future resources as discussed in Note 10.

College and university type is accounted for on the accrual basis of accounting in accordance with accounting principles outlined in the American Institute of Certified Public Accountants' (AICPA) audit guide, (Audits of Colleges and Universities), and guidelines suggested by the National Association of College and University Business Officers. Under these standards, two types of operating statements are prepared, which should not be combined with governmental nor proprietary statements. Only the combined totals are presented for the statement of revenues, expenses, and changes in fund balance.

The above guidelines normally permit recognition of revenues and receivables when the state appropriates funds and liabilities for anticipated transfers to the state. For consistency in reporting intra-entity transactions, the state does not apply this guideline to transactions between the state and the college and university type.

Grants Expenditures and Liabilities Recognition

Grants are contributions of cash or other assets by the state to other governmental units, individuals or non-governmental organizations. The GAAP requirement that expenditures and liabilities be recognized at the point goods and services are received is not relevant for grants because the state does not receive a direct service for grant payments. It is therefore necessary to use different criteria for the recognition of grant expenditures and liabilities.

Grants are normally paid on an entitlement or reimbursement basis. Reimbursements may be for specific services provided to eligible recipients, or such reimbursements may be for eligible types of expenditures. Grants paid on a reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of specific services to eligible recipients or makes eligible types of expenditures. Entitlement type grants may be based on services provided by the grantee which the grant is meant to help fund but not based on the cost of providing the service. Expenditures and related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed is reasonably estimable soon after the end of the fiscal year. Other types of entitlement type grants are not based on services provided or actions taken by the grantee. Expenditures and related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Compensated Absences

State employees accrue vacation leave, sick leave and compensatory leave at various rates within limits specified in collective bargaining agreements. Such leave is liquidated in cash only at the time of termination from state employment. For governmental funds, the liability for compensated absences is reported in the General Long-Term Obligation Account Group. All other fund types report this liability as a fund liability.

Cash Equivalents and Investments

Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Also included are cash management pools and money market funds that are used essentially as demand deposit accounts.

Primary Government - Investments are reported at market value for the pension investment trust funds, defined contribution funds, defined benefit funds, and the Deferred Compensation Fund, which are all fiduciary funds. All other funds report equity securities at cost and debt securities at amortized cost.

Defined Benefit and Defined Contribution Pension Plans report investments in the pooled accounts at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued using the last reported trade price. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

Component Unit - The Workers' Compensation Assigned Risk Plan and the University of Minnesota report investments at market.

Inventories

Inventories for governmental funds, except for the following, are recorded as expenditures when purchased and therefore are not a resource available for appropriation. The Trunk Highway Fund (special revenue fund) inventories are valued using the weighted-average cost. Inventories of the Miscellaneous Special Revenue and Northeast Minnesota Economic Protection (expendable trust) funds consist of repossessed properties held for resale and are valued at market. Inventories for all other funds are expensed when consumed. Inventories maintained by the various funds are determined by annual and periodic physical counts. Enterprise funds' inventories are valued using first-in, first-out average cost and specific cost methods. Internal service funds' inventories are valued using the first-in first-out method.

Restricted Assets

Mandatory asset segregations are presented in various enterprise funds as restricted assets. Such segregations are required by bond covenants and other external restrictions. The excess of restricted assets over liabilities payable from restricted assets will first be used for bonds payable. The remainder, if any, is included in reserved retained earnings.

Fixed Assets

Governmental Fund Types. Fixed assets for these funds are reported in the General Fixed Assets Account Group. General fixed assets are recorded at cost or, for donated assets, at fair market value at the date of acquisition. An inventory of land and buildings for general fixed assets was completed in 1985. Historical cost records for older fixed assets are incomplete or not available. Accordingly, estimated historical costs have been used in these situations. Tax forfeited land is not included in land inventory because the state does not take permanent title; when the land is sold, proceeds are distributed to local jurisdictions. Public domain (infrastructure) general fixed assets such as highways, curbs, bridges and lighting systems are not capitalized. Depreciation is not provided on general fixed assets nor is interest during construction capitalized.

Proprietary and Fiduciary Fund Types. Fixed assets for these funds are stated at cost or, for donated assets, at fair market value at date of acquisition. Such assets are depreciated or amortized on a straight-line basis over the useful lives of the assets. Estimated useful lives are as follows:

Buildings	40-50 years
Improvements (large)	20-50 years
Improvements (small)	3-10 years
Equipment	3-12 years

Depreciation on fixed assets acquired with resources externally restricted for that purpose is closed to contributed capital after being recognized in operations.

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the internal service funds because a portion of depreciation is included in the cost of goods sold.

General Long-Term Liabilities

All unmatured long-term indebtedness not reported in a proprietary or fiduciary fund is accounted for in the General Long-Term Obligation Account Group. Included among these liabilities are the non-current portions of liabilities resulting from debt issuances, compensated absences, workers compensation claims, arbitrage rebate requirements and some unfunded pension liabilities (see Note 7).

Bond Discounts, Bond Premiums and Deferred Costs

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. In the proprietary funds, they are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method, which approximates the effective interest method. The deferred costs reported are primarily for bond issuance costs of the enterprise funds.

Risk Management

The state is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, and to employer obligations. The state manages these risks through the Risk Management Fund, a self-insurance (internal service funds), and other self-insurance mechanisms.

The state has not experienced significant reduction in insurance coverage from the prior year. It has not had any settlements in excess of coverage for the past three years.

The state is prevented from insuring property against loss because of statutory prohibition. Certain agencies and programs are exempted from this prohibition. These include the Stillwater Prison, Minnesota State Colleges and Universities, Family Farm Security Program, Department of Military Affairs, Iron Range Resources and Rehabilitation Board, and the Sibley House. The commissioner of the Department of Administration may authorize the purchase of insurance on state properties should it be deemed necessary and appropriate to protect buildings and content. All losses of state property are self-insured or are covered by programs of the Risk Management Fund or by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Tort claims against the state are limited by statute to \$200,000 per person for property damage or bodily injury up to \$600,000 per occurrence. Workers' compensation claims are administered by the Workers' Compensation Special Revenue Fund. These risks are covered through self-insurance for which each state agency is responsible to pay for the cost of claims from their operating budgets. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature.

The state also participates in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims in excess of the retention amount of \$450,000.

The state Health Plan is one of several healthcare plans offered by the state to its employees. The cost for these claims are covered by premiums paid by state agencies.

The state's financial statements record a payable in each fund where claims are probable and the amount of the loss can be reasonably estimated prior to the issuance of the statements.

State agencies may elect to participate in the Risk Management Fund, which offers liability and property coverages. The agency pays a premium to participate in these coverages. All state agencies are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a deductible between \$2,500 and \$100,000; the fund covers the balance of the claim up to \$100,000. The primary reinsurer covers losses up to \$25,000,000 after which the excess loss is shared among three reinsurers up to \$300,000,000. Once annual losses paid by the Risk Management Fund reaches \$1,000,000, the fund only has to pay the first \$10,000 of any loss claim.

Risk Management's liability coverage is up to the statutory limit of \$200,000 per person for property damage or bodily injury up to \$600,000 per occurrence. The fund has reinsurance to cover aggregate annual claims in excess of \$2,800,000. Once this limit is reached, the fund has to pay a \$5,000 maintenance deductible for each claim.

The Risk Management Fund purchases insurance policies for state agencies seeking other types of coverage. The type of policies concern risks that the state is not able to self-insure and include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to agencies at cost.

	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>
Tort Claims (*)				
Fiscal Year Ended 6/30/96	-	\$732,000	\$732,000	-
Fiscal Year Ended 6/30/97	-	\$401,000	\$401,000	-
Workers Compensation				
Fiscal Year Ended 6/30/96	\$112,442,000	\$1,855,000	\$12,630,000	\$101,667,000
Fiscal Year Ended 6/30/97	\$101,667,000	\$16,530,000	\$11,320,000	\$106,877,000
State Health Plan				
Fiscal Year Ended 6/30/96	\$11,988,000	\$94,240,000	\$95,438,000	\$10,790,000
Fiscal Year Ended 6/30/97	\$10,790,000	\$127,871,000	\$127,581,000	\$11,080,000
Risk Management Fund				
Fiscal Year Ended 6/30/96	\$3,309,000	\$4,290,000	\$2,207,000	\$5,392,000
Fiscal Year Ended 6/30/97	\$5,392,000	\$2,043,000	\$2,314,000	\$5,121,000

* The Attorney General's Office does not recognize liabilities for Tort Claims. Claims have never exceeded funding appropriated by the legislature.

Budgeting and Budgetary Control

Minnesota operates on a two-year (biennial) budget cycle ending on June 30 of the odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations are available for either year of the biennium. The governor's budget for the biennium is developed by the Department of Finance and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Maximum Effort School Loan, Special Workers Compensation, Iron Range Resources and Rehabilitation, Petroleum Tank Cleanup, and Miscellaneous Special Revenue funds. The Solid Waste Fund is presented for the first time this year due to the new material level of appropriation activity occurring within the fund. The Solid Waste Fund is also presented with a beginning balance, which indicates that the fund pre-dates this initial budgetary presentation in the CAFR. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, whatever amount is needed to fulfill the obligation for the fiscal year is made available; i.e., there is no limit on the amount which can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notification of the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs in their departments.

It is standard practice for unencumbered appropriation balances to cancel to the fund at the end of the fiscal year. However, if specifically provided for in law or if statutory authority is invoked by the agency, unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. In no instance did expenditures exceed authorized limits at the legal level of budgetary control. A separate report showing the detail of legal level of control and actual expenditures is available from the Department of Finance.

Eliminations

Eliminations have been incorporated into the report to exclude the significant double counting of assets and related income caused by the participation of certain fiduciary funds in the pension investment trust funds (also fiduciary funds). Defined Benefit Pension and Defined Contribution funds (pension trust funds) and the Deferred Compensation Fund (an agency fund) invest part of their assets through the pension investment trust funds (also classified as pension trust funds).

Memorandum Only Totals Column

The totals columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Information in these columns does not present consolidated financial position, results of operations, or cash flows.

2. CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash in most funds is held in the state treasury and is commingled in state bank accounts while most component unit cash is in separate accounts. The cash in individual funds may be invested separately where permitted by statute, but cash in most funds is invested as a part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Investment earnings of the primary government's pools are allocated to the individual funds where provided by statute; earnings for all other participants are credited to the General Fund.

The following table summarizes the state's cash and cash equivalents (in thousands), including amounts reported as restricted assets at June 30, 1997 and December 31, 1996. Cash with the U.S. Treasury is available for the cash demands of the Unemployment Compensation Fund (expendable trust fund).

<u>Carrying Amount</u>	<u>Primary Government</u>	<u>Component Units</u>
Cash in Bank	\$99,465	\$9,278
Cash on Hand and Imprest Cash	3,104	5,261
Cash with Fiscal Agent	2,241	22,227
Cash with U.S. Treasury	485,813	-
Cash Equivalents:		
Cash Management Investment Pools	4,606,759	48,200
Other	<u>164,643</u>	<u>1,204,388</u>
Total Cash and Cash Equivalents	\$5,362,025	\$1,289,354

Cash and cash equivalents for the nonexpendable trust funds as of June 30, 1997 on the combined statement of cash flows is reconciled to the cash and cash equivalents on the combined balance sheet as follows (in thousands):

Cash and Cash Equivalents June 30, 1997:

Pension Trust Funds	\$ 458,041
Nonexpendable Trust Funds	43,300
Expendable Trust Funds	933,070
Agency Funds	<u>218,160</u>
Total Fiduciary Funds	\$ 1,652,571

Deposits

At June 30, 1997, the primary government's bank balance for cash in bank was \$84,973,000. For component units at December 31, 1996 and at June 30, 1997, the bank balances for cash in bank was \$7,416,000. These balances were fully covered by federal depository insurance or collateral held by the state's agent in the state's name or held by the component unit in the component unit's name (lowest risk category). Minnesota Statutes, Section 9.031 requires that deposits be secured by depository

insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral shall be in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral.

Investments

Nearly all of the state's investing is managed by the Minnesota State Board of Investment (MSBI). Minnesota Statutes, Section 11A.24 broadly restricts investments of the primary government to obligations and stocks of U.S. and Canadian governments, their agencies and their registered corporations, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds. A more conservative restriction which applies to certain funds is that investments be limited to fixed income securities. The conservative restriction applies to all funds except the Permanent School Fund (a nonexpendable trust fund), Environmental and Natural Resources Trust Fund (a nonexpendable trust fund) the defined benefit pension funds, and the pension investment trust funds (the latter fund categories are included among the pension trust funds).

State statutes do not prohibit the state from participating in security lending transactions, and the state has, pursuant to a Custodial Trust Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending the state's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities.

The state did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf, and State Street indemnified the state by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the state and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and the state's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the state could not determine. On June 30, 1997 the state had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the state as of June 30, 1997 were \$3,963,317,000 and \$3,787,257,000, respectively.

Primary Government - Investments at June 30, 1997
(in thousands)

Investment Type	Carrying Amount	Market Value
Repurchase Agreements	\$ 527,534	\$ 527,362
Commercial Paper	2,895,022	2,895,045
Short Term Corporate Notes	69,398	69,398
U.S. Treasury Obligations	2,929,442	2,866,727
Mortgaged Backed	2,892,738	2,823,429
Corporate Obligations	2,842,707	2,765,741
Foreign & Other Obligations	524,896	506,651
Corporate Stocks	<u>22,208.667</u>	<u>22,454.974</u>
Total Investments in Risk Category 1	\$34,890,404	\$34,909,327
Trustee Managed Pools (not categorized)	<u>2,493.854</u>	<u>2,493.854</u>
Total Investments	\$37,384,258	\$37,403,181

Component Units - Investments at June 30, 1997 and December 31, 1996
(in thousands)

Investment Type	Risk Category			Carrying Amount	Market Value
	1	2	3		
Repurchase Agreements	\$80,410	\$ -	\$ -	\$80,410	\$80,410
Commercial Paper	363,190	-	-	363,190	363,289
Short Term Corporate Notes	476,219	51,163	-	527,382	530,165
U.S. Treasury Obligations	842,549	50,659	-	893,208	898,036
Mortgaged Backed	44,038	118,594	-	162,632	162,617
Corporate Obligations	115,601	185,335	-	300,936	300,933
Municipal & Other Obligations	108,560	-	-	108,560	108,562
Corporate Stocks	361,392	153,341	-	514,733	517,870
Other Equity	<u>48,452</u>	<u>-</u>	<u>-</u>	<u>48,452</u>	<u>48,452</u>
Total Investments	\$2,440,411	\$559,092	\$ -	\$2,999,503	\$3,010,334
Escrow Accounts of MC	-	-	87,728	87,728	87,728
Trustee Managed Pools/					
Mutual Funds	<u>400,487</u>	<u>-</u>	<u>-</u>	<u>400,487</u>	<u>400,530</u>
Total Investments	\$2,840,898	\$559,092	\$87,728	\$3,487,718	\$3,498,592

Funds not invested by MSBI are primarily enterprise type funds. Investments for these funds must also conform to the above statute and may be further restricted by bond indentures.

The investment table above, shows the state's risk category 1 and other investments, including cash equivalents, at their carrying and market values. Risk category 1 includes securities which are insured or registered or are held by the state or its agent in the state's name. Investments in risk category 2 include uninsured and unregistered securities held by the counterparty's trust department or agent in the component unit's name (the primary government has no investments in risk category 2). Investments in risk category 3 include uninsured and unregistered securities held by the counterparty or by its trust department or agent, but not in the component unit's name (the primary government has no investments in risk category 3).

3. CAMBRIDGE BANK LITIGATION FUNDS

Revenue bonds were issued to satisfy the claims and judgments resulting from litigation. The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund are used to record revenues, bond proceeds, claims and judgments, and debt service. These funds are presented as part of the General Fund and the Debt Service Fund (governmental funds).

The General Fund and the Debt Service Fund as presented herein include the Special Revenue Fund ("Cambridge Litigation Revenue Fund") and the Revenue Bond Debt Service Fund ("Cambridge Litigation Revenue Bond Fund") respectively, established and maintained in the state treasury and on the state's books and records as separate and special funds, pursuant to Minnesota Statutes, Section 16A.67. The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund were established by the commissioner of Finance's order dated May 1, 1996, entitled "Order of the Minnesota Commissioner of Finance for Issuance and Sale of \$200,000,000 State Revenue Bonds, Series 1996A" (the "Order"), and are required to be maintained until the State Revenue Bonds, Series 1996A, and any other revenue bonds hereafter issued and made payable from the Cambridge Litigation Revenue Bond Fund (the "Revenue Bonds") are paid or discharged in accordance with the Order. The Cambridge Litigation Revenue Fund is used to record receipts of certain non-tax Revenues (comprising Departmental Earnings, Medical Payments and Non-dedicated Lottery Revenues, all as defined in the Order), Revenue Bond proceeds and investment earnings, and the disbursement of Revenue Bond proceeds to pay costs of a judgment against the state and related claims described below, and the transfer of Revenues and investment earnings first to the Revenue Bond Debt Service Fund to pay debt service on the Revenue Bonds, and second to the General Fund to pay costs of state government.

The terms, Departmental Earnings, Medical Payments, and Non-dedicated Lottery Revenues are defined in the Order substantially as follows:

Departmental Earnings are certain license fees, service fees and other charges imposed by or pursuant to the state law, which are collected from the general public and regulated businesses and professions, the use of which is not otherwise restricted by federal law, which are not determined to constitute a tax of statewide application on any class of property, income, transaction or privilege, and which are not dedicated to another fund and penalties and interest on late payments of such fees and charges.

Medical Payments means all amounts paid to the state by non-state resources for payment of, or as reimbursement for payment by the state from its General Fund of, costs incurred for the care and treatment of mentally ill and developmentally disabled persons at regional treatment centers.

Non-dedicated Lottery Revenues means all lottery net income not dedicated and required by the State Constitution, Article XI, Section 14 to be transferred to the Environment and Natural Resources Trust Fund.

For the fiscal year ended June 30, 1997, the funding received by and transferred from the Cambridge Litigation Revenue Fund, including Revenues, Revenue Bond proceeds and investment earnings, and the moneys received by and disbursed from the Cambridge Litigation Revenue Bond Fund, were as follows (in thousands):

<u>Cambridge Bank</u> <u>Litigation Revenue Fund</u>	
Net Revenues:	
License Fees	\$ 85,299
Care & Hospitalization	73,697
Department Services	29,844
Investment/Interest Income	2,708
Other Revenues	<u>7,417</u>
Net Revenues	\$198,965
Expenditures:	
General Government	\$ 18
Debt Service	<u>(8,551)</u>
Total Expenditures	(8,533)
Other Financing Sources (Uses):	
Operating Transfers	34,371
Transfers Out	<u>(218,108)</u>
Net Other Financing Sources (Uses)	<u>(183,737)</u>
Excess of Revenues and Other Sources	
Over (Under) Expenditures and Other Uses	<u>\$ 23,761</u>

The total claims are estimated at \$24,794,000, as of June 30, 1997. Principal and interest on claims paid during fiscal year 1997 totaled \$40,644,000 and \$44,803,000 respectively. The estimated claims reported in fiscal year 1996 were over estimated by \$8,533,000, resulting in a negative expenditure for fiscal year 1997.

The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund, while maintained and administered as separate funds on the official books and records of the state as covenanted and agreed in the Order, have been presented as part of the General Fund and the Debt Service Fund respectively for financial reporting purposes for the following reasons. First, the purpose for which the revenue bonds were issued is to fund a portion of the judgment entered against the state in Cambridge State Bank v. James, 514 N.W.2d 565 (Minn. 1994) and related claims, wherein the Minnesota Supreme Court held that certain banks were entitled to a refund of taxes paid on income from federal obligations. The judgment and related claims are obligations of the General Fund and have been recorded as an accrued liability in the General Long-Term Account Group. Second, the revenues appropriated to the Cambridge Litigation Revenue Fund have, prior to the establishment of the Cambridge Litigation Revenue Fund, been revenues of the General Fund. Third, revenues appropriated to the Cambridge Litigation Revenue Fund which are not required to be transferred to the Cambridge Litigation Revenue Bond Fund to pay debt service on the Revenue Bonds, are required

to be and have been transferred to the General Fund, and once so transferred, are available only for General Fund purposes.

4. INTERFUND ACTIVITY

Interfund receivables and payables at June 30, 1997 of the primary government, including current portion of interfund advances, are summarized as follows (in thousands):

<u>Primary Government</u>					
<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	<u>\$ 81,110</u>	<u>\$ 44,247</u>	Fiduciary Funds:		
Special Revenue Funds:			Pension Trust Funds:		
Trunk Highway	\$ 33,302	\$ -	Defined Benefit Pension Funds:		
Highway User Tax Distribution	-	62,047	Public Employees Retirement	\$ 561	\$ 16
Federal	-	49,157	Police and Fire	10,589	390
Environmental	-	5,537	Police and Fire Consolidation	-	10,700
Natural Resources	8,407	-	State Employees Retirement	2,484	3,715
Health Care Access	14,902	96	State Patrol Retirement	-	54
IRRRB	1,134	366	Correctional Employees Retirement	3,715	156
Miscellaneous Special Revenue	<u>8,672</u>	<u>6,556</u>	Judicial Retirement	-	28
Total Special Revenue Funds	<u>\$ 66,417</u>	<u>\$123,759</u>	Elective State Officers	459	1
			Legislative Retirement	6,453	1,226
Capital Projects Funds:			Defined Contribution Fund:		
Transportation	\$ -	\$ 6,244	Unclassified Employees Retirement	-	1,661
Building	<u>67</u>	<u>748</u>	Nonexpendable Trust Funds:		
Total Capital Projects Funds	<u>\$ 67</u>	<u>\$ 6,992</u>	Permanent School	-	13,868
Debt Service Fund	<u>\$ 19,068</u>	<u>\$ -</u>	Environment and Natural Resources	4,430	1,575
Enterprise Funds:			Expendable Trust Funds:		
State Lottery	\$ -	\$ 13,469	Northeast MN Economic Protection	-	500
Correctional Industries	-	27	Municipal State-Aid Street	6,200	174
Public Employees Insurance	16	233	County State-Aid Highway	21,095	561
Private Employers Insurance	-	16	Endowment School	9,430	-
Enterprise Activities	<u>138</u>	<u>-</u>	Endowment	99	67
Total Enterprise Funds	<u>\$ 154</u>	<u>\$ 13,745</u>	Environment & Natural Resources	1,575	-
Internal Service Funds:			Reemployment Insurance	-	5,248
Intertechnologies	\$ -	\$ 2,500	Agency Funds:		
State Printer	<u>25</u>	<u>-</u>	Deferred Compensation	-	603
Central Motor Pool	-	1,101	Miscellaneous Agency	<u>1,262</u>	<u>1,498</u>
Employee Insurance	-	698	Total Fiduciary Funds	<u>\$ 68,352</u>	<u>\$ 42,041</u>
Central Services	-	<u>110</u>	Total Primary Government	<u>\$ 235,193</u>	<u>\$ 235,193</u>
Total Internal Service Funds	<u>\$ 25</u>	<u>\$ 4,409</u>			

Primary Government

Transfers-in to the Enterprise Activities fund (proprietary fund) exceed transfers-out to the Miscellaneous Special Revenue Fund (governmental fund) by \$88,000 due to a transfer of contributed capital.

The noncurrent portion of interfund advances at June 30, 1997 are summarized as follows (in thousands):

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 2,969	\$ -
Special Revenue Funds:		
Health Care Access	2,075	-
Miscellaneous Special Revenue	-	3
Capital Projects Funds:		
Transportation	-	995
Enterprise Funds:		
Private Employers Insurance	-	2,075
Internal Service Funds:		
Central Motor Pool	<u>-</u>	<u>1,971</u>
Total All Funds	<u>\$ 5,044</u>	<u>\$ 5,044</u>

It is uncertain whether the Health Care Access fund (special revenue fund) will collect the full amount of its advance of \$2,075,000 to the Private Employers Insurance fund (enterprise fund). The Private Employers Insurance fund (enterprise fund) is discontinuing the full operation of the Minnesota Employees Insurance Program which provides the income for the fund (see Note 14).

Component Units

Interfund receivables and payables at June 30, 1997, of component units only, are summarized as follows (in thousands):

<u>Fund</u>	<u>Component Units</u>	
	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
Metropolitan Council	\$ 10,618	\$ 22,120
Proprietary Funds:		
Metropolitan Council-Unrestricted	18,117	3,391
Metropolitan Council-Restricted	<u> </u> -	<u> </u> 3,224
Totals	\$ 28,735	\$ 28,735

**Primary Government and Component Units
(Due to and Due From)**

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
Component Units		
Governmental Funds:		
Rural Finance Authority	\$ -	\$ 4,544
Higher Ed. Services	18	11,071
Proprietary Funds:		
Higher Ed. Services	-	44
Workers' Compensation		
Assigned Risk Plan	-	5,872
College and University Funds:		
University of Minnesota	<u>83,758</u>	<u>-</u>
Total Component Units	\$83,776	\$ 21,531
Primary Government		
Governmental Funds:		
General Fund	15,642	83,240
Special Revenue Funds:		
Misc. Special Revenue	17	-
Federal Revenue	-	18
Health Care Access	<u> </u> -	<u> </u> 518
Total Primary Government	\$ 15,659	\$ 83,776
Total	\$ 99,435	\$ 105,307

Component Units

Due to primary government exceeds the due from component units by \$5,872,000 because Workers' Compensation Assigned Risk Plan has a different fiscal year end than the primary government.

Transfers-out to component units exceeds transfers-in from primary government by \$7,016,000 due to a transfer of contributed capital to the Public Facilities Authority.

Residual equity transfers-not exceed similar transfers-in by \$9,595,000 because of differing reporting focuses for proprietary and governmental fund types. These residual equity transfers from governmental fund types are reported as part of the increase to contributed capital in the proprietary funds.

5. LOANS, NOTES AND FINANCING LEASES RECEIVABLE

Loans, notes, and financing leases receivable, net of allowances for possible losses, as of June 30, 1997, consisted of the following (in thousands):

	General	Special Revenue	Capital Projects	Enterprise	Fiduciary
Student Loan Program	\$ 272	\$ -	\$ -	\$35,153	\$ -
Economic Development	8,433	6,700	37,615	-	20,981
School Districts	-	44,120	-	-	-
Energy	-	4,307	10,681	-	-
Agricultural	3,503	-	-	-	-
Transportation	-	2,895	-	-	-
Resources	1,776	218	-	-	-
Other	-	34,596	74	-	-
Total	\$13,984	\$92,836	\$48,370	\$35,153	\$20,981

Component Units

Metropolitan Council (Governmental)	\$ 11,649
Agricultural and Economic Development	24,733
Rural Finance Authority	43,647
Housing Finance	1,807,664
Higher Education Services Office	181,116
University of Minnesota	<u>59,301</u>
Total	\$2,128,110

The amount reported for loans receivable between component units does not equal the amount reported for loans payable between component units because of differing fiscal year ends (December and June).

6. FIXED ASSETS

Primary Government

Summary of Changes in General Fixed Assets (in thousands)

	Balances July 1, 1996	Additions	Deductions	Completed Construction	Other Adjustments	Balances June 30, 1997
Land	\$ 283,954	\$ 14,470	\$ 17	\$ -	\$ 65	\$ 298,471
Buildings	1,705,173	1,504	163	136,680	470	1,843,961
Equipment	412,830	33,992	21,041	-	698	425,879
Construction in Progress	<u>217,786</u>	<u>83,850</u>	<u>-</u>	<u>(136,680)</u>	<u>(31,221)</u>	<u>133,735</u>
Total	\$2,619,743	\$133,216	\$21,221	\$ -	\$ (28,988)	\$2,701,750

Governmental fund type and Expendable Trust fund capital outlay expenditures totaled \$493,652,000 for fiscal year 1997. Of this amount, \$361,152,000 was for infrastructure fixed assets which are not included in general fixed assets. Donations of general fixed assets received during fiscal year 1997 are valued at \$716,000. Other adjustments were primarily corrections of prior year balances.

General fixed assets purchased with resources provided by outstanding capital lease agreements at June 30, 1997 consisted of equipment costing \$57,397,000 and buildings costing \$1,781,000.

Authorizations and commitments as of June 30, 1997 for the largest construction in progress projects consisted of the following (in thousands):

	Regional			
	Educational <u>Buildings</u>	Treatment <u>Centers</u>	Zoological <u>Garden</u>	Veterans' <u>Home</u>
Authorization	\$116,926	\$42,900	\$22,717	\$7,528
Expended through June 30, 1997	56,553	4,510	21,737	5,279
Unexpended Commitment	<u>22,802</u>	<u>31,515</u>	<u>185</u>	<u>1,763</u>
Available Authorization	\$ 37,571	\$ 6,875	\$ 795	\$ 486

Commitments are reserved in the fund balance for either encumbrances or long-term commitments.

Proprietary and fiduciary fund type fixed assets consisted of the following as of June 30, 1997 (in thousands):

	Enterprise <u>Funds</u>	Internal Service <u>Funds</u>	Fiduciary <u>Funds</u>	Combined <u>Totals</u>
Land	\$ 3	\$ -	\$ 15,410	\$ 15,413
Buildings	106,057	-	-	106,057
Land and Building Improvements	45,869	2,849	-	48,718
Equipment	<u>29,464</u>	<u>113,805</u>	<u>3,342</u>	<u>146,611</u>
Total	\$181,393	\$116,654	\$18,752	\$316,799
Less: Accumulated Depreciation	<u>97,687</u>	<u>80,566</u>	<u>1,790</u>	<u>180,043</u>
Net Total	\$ 83,706	\$ 36,088	\$16,962	\$136,756

Land in the Permanent School Fund (nonexpendable trust fund) totaling 2,509,670 acres was donated by the federal government and is valued at the estimated fair market value at the time of donation.

Component Units

Component Unit fixed assets consisted of the following as of the end of their respective fiscal year (in thousands):

	Governmental Type			Proprietary Type				College and University Type		
	Metropolitan <u>Council</u>	Minnesota <u>Technology Incorporated</u>	Higher Education Services Office	Housing Finance	Public Facilities <u>Authority</u>	Metropolitan <u>Council</u>	National Sports Center <u>Foundation</u>	Higher Education Services Office	University of <u>Minnesota</u>	Combined <u>Totals</u>
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,091	\$ -	\$ -	\$ 34,739	\$ 46,830
Buildings and Improvements	-	-	-	-	-	1,437,933	283	-	1,336,439	2,774,655
Equipment	11,777	2,367	354	2,126	16	280,632	236	117	496,265	793,890
Other Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,496</u>	<u>264,496</u>
Total	\$11,777	\$2,367	\$354	\$2,126	\$16	\$1,730,656	\$519	\$117	\$2,131,939	\$3,879,871
Less: Accumulated Depreciation	<u>-</u>	<u>1,559</u>	<u>-</u>	<u>922</u>	<u>-</u>	<u>590,480</u>	<u>131</u>	<u>59</u>	<u>1,017,655</u>	<u>1,610,806</u>
Net Total	\$11,777	\$ 808	\$354	\$1,204	\$16	\$1,140,176	\$388	\$ 58	\$1,114,284	\$2,269,065

7. GENERAL LONG-TERM OBLIGATIONS

Primary Government

A summary of general long-term obligations at June 30, 1997 and the changes during fiscal year 1997 is as follows (in thousands):

	<u>July 1, 1996</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 1997</u> <u>Balances</u>
Liabilities For:				
General Obligation Bonds	\$2,162,014	\$ 170,000	\$171,295	\$2,160,719
Loans	33,311	6,063	18,410	20,964
Revenue Bonds	202,710	4,250	50,945	156,015
Grants	423,838	-	423,838	-
Claims	190,059	160,866	2,000	348,925
Compensated Absences	236,232	9,453	541	245,144
Workers Compensation	101,667	16,530	11,320	106,877
Capital Leases	13,194	8,026	6,204	15,016
Pension Liabilities	526	102	8	620
Other Liabilities	861	22	48	835
Totals	\$3,364,412	\$ 375,312	\$684,609	\$3,055,115

The resources to repay the various general long-term obligations have been or will be provided from the fund types as follows (in thousands):

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Total</u>
Liabilities For:			
General Obligation Bonds	\$1,747,975	\$412,744	\$2,160,719
Loans	-	20,964	20,964
Revenue bonds	151,765	4,250	156,015
Claims	21,000	327,925	348,925
Compensated Absences	152,130	93,014	245,144
Workers Compensation	90,236	16,641	106,877
Capital Leases	7,205	7,811	15,016
Pension Liabilities	620	-	620
Other Liabilities	835	-	835
Totals	\$2,171,766	\$883,349	\$3,055,115

Principal and interest payment schedules (in thousands) are provided in the following table for general obligation bonds, revenue bonds, loans, capital leases and arbitrage. There are no payment schedules for claims, compensated absences, workers compensation or pension liabilities.

<u>Fiscal Year (s)</u>	<u>General</u>					
	<u>Obligation</u>	<u>Revenue</u>	<u>Capital</u>	<u>Arbitrage</u>	<u>Totals</u>	
	<u>Bonds</u>	<u>Bonds</u>	<u>Leases</u>			
1998	\$ 297,298	\$ 5,241	\$ 6,732	\$ 308	\$ 340,368	
1999	289,728	5,241	4,754	487	330,908	
2000	265,274	5,241	2,885	27	329,234	
2001	249,423	5,241	1,720	13	312,084	
2002	223,753	-	528	-	224,919	
Thereafter	<u>1,702,583</u>	<u>4,538</u>	<u>300</u>	<u>-</u>	<u>1,707,421</u>	
Total Payments	\$3,028,059	\$20,964	\$16,919	\$835	\$3,244,934	
Interest	<u>867,340</u>	<u>22,142</u>	<u>1,903</u>	<u>-</u>	<u>891,385</u>	
Total Principal	\$2,160,719	\$20,964	\$156,015	\$835	\$2,353,549	

Minnesota Statutes, Section 16A.641 provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax

to cover the deficiency. No such property tax has been levied since 1969 when the law was enacted requiring the appropriation.

In fiscal year 1997 the Department of Finance made the necessary transfers (in thousands) to the Debt Service Fund as follows:

General Fund	\$295,481
Special Revenue Funds:	
Trunk Highway Fund	7,193
Natural Resources Fund	112
Maximum Effort School Loan Fund	2,353
Miscellaneous Special Revenue Fund	1,012
Building Fund	12,766
Expendable Trust Fund (Endowment Fund)	1,414
Component Units:	
Rural Finance Authority	5,233
University of Minnesota	<u>5,238</u>
Total Operating Transfers to Debt Service Fund	\$330,802

The amount shown in the Debt Service Fund as reserved for debt requirements differs from that shown in the General Long-Term Obligation Account Group as Amount Available in Debt Service Fund because the Debt Service Fund amount includes amounts for both principal and interest on general obligation bonds while the General Long-Term Obligation Account Group includes only the amount for bond principal.

One issue of general obligation bonds is recorded as the liability of an enterprise fund, the State Colleges and Universities Revenue Fund, because the earnings of the fund are pledged for repayment of these bonds. This fund makes debt service transfers to the Debt Service Fund, fulfilling the legal requirements for general obligation debt service. Debt service transfers and the earnings on them are reported as restricted assets in the enterprise fund and as funds held in trust in the Debt Service Fund. The Debt Service Fund makes the payments for these bonds. The General Fund remains secondarily liable for these bonds.

General Obligation Bond Issues

On November 1, 1996, \$170,000,000 in general obligation state various purpose bonds were issued at a true interest rate of 4.16. During fiscal year 1997, \$171,295,000 in general obligation bonds principal was repaid.

Advance Refunding

In previous years the state issued general obligation refunding bonds to refund obligations of certain bond issues. The proceeds of the bond issues were placed in special escrow accounts and invested in government securities. These investments have been certified to be sufficient to pay all principal and interest on the bonds when due. Accordingly, the original refunded bonds have been eliminated, and the new advance refunding bonds added to the General Long-Term Obligation Account Group.

The balance outstanding for all extinguished debt at June 30, 1997 was \$487,990,000 consisting of the following (in thousands). The state remains contingently liable to pay the refunded general obligation bonds.

Outstanding Defeased Debt				
Refunding Date	Refunding Amount	Refunded Amount	Outstanding Amount	Final Maturity Date
August 1, 1992	\$243,100	\$230,480	\$ 52,680	August 1, 1998
May 1, 1993	292,260	273,190	246,640	August 1, 2000
August 1, 1993	146,995	133,770	107,020	August 1, 2001
November 1, 1993	91,720	81,650	81,650	August 1, 2002
Total	\$774,075	\$719,090	\$487,990	

A schedule of general obligation bonds authorized but unissued and bonds outstanding at June 30, 1997 is provided in the table below (in thousands):

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	\$655,651	\$1,020,384	3.75 - 9.63
State Transportation	62,120	39,490	4.69 - 9.31
Waste Management	5,430	5,115	5.00 - 8.66
Water Pollution Control	7	95,855	4.58 - 8.66
Maximum Effort School Loan	1,192	120,080	5.00 - 8.40
Reinvest in Minnesota	790	19,425	5.00 - 7.20
Rural Finance Administration	36,000	51,195	5.00 - 8.95
Refunding Bonds	-	700,362	5.00 - 8.41
Exchange Bonds	-	6,289	.05
School Energy Building	820	8,170	5.00 - 9.31
Game and Fish Building	-	344	7.96 - 8.66
Trunk Highway	-	28,900	3.75 - 9.31
Airport Facilities	81,275	44,935	4.40 - 7.95
Landfill	<u>69,300</u>	<u>20,175</u>	5.00 - 6.00
Totals	<u>\$912,585</u>	<u>\$2,160,719</u>	

Revenue Bonds Payable

On July 18, 1996, \$4,250,000 in state revenue bonds were issued at a true interest rate of 7.98 percent. The bonds have limited obligations in accordance with Minnesota Statutes, Sections 298.221 and 469.142-149.

Remaining revenue bonds payable totaling \$151,765,000 reported in the General Long-Term Obligation Account Group are special obligations of the state and for airport facilities secured by St. Louis County.

Loans

Loans payable are the result of loans from local governments to the state for preliminary financing of highway construction projects. This financing provides advance funding of the state and federal share of these projects. Loan repayment without interest begins after completion of the related project.

Claims

Municipal solid waste landfills liability totaling \$307,580,000 for closure and postclosure care are reported for the landfill cleanup program payable from the Solid Waste Fund, (a special revenue fund) and the General Fund.

Additional claims are for workers' compensation claims for employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and is payable from the Special Compensation Fund, a special revenue fund.

Grants

School aid grant liability previously recorded in the General Long-Term Debt Account Group is now recorded in the General Fund. See Note 15.

Compensated Absences

The liability for compensated absences for governmental funds totaling \$245,144,000 is primarily for vacation leave and for vested sick leave, which is payable as severance pay under specific conditions. Both amounts are paid only at the time of termination from state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The liability for workers' compensation reported is based on claims filed for injuries to state employees occurring prior to June 30, 1997 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Leases

Capital leases payable are for those leases meeting the criteria in GASB Statement 1, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide. See Note 8 for minimum future payments under operating leases.

Pension Liabilities

The pension liabilities of \$620,000 represent the fiscal year 1997 funding deficit for the pension trust funds. This liability is the amount for any fund that the actuarially determined contribution requirement exceeds actual contributions made, plus adjustments for prior year liabilities, interest, and amortization of the prior year liability. See Note 16.

Other Liabilities

Other liabilities is the arbitrage rebate payable to the federal government of \$835,000. It is the estimate of excess earnings on tax-exempt bond proceeds and debt service reserves as required under the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties. Interest earnings on bond proceeds are used primarily for debt service payments. The arbitrage rebate will be paid through an appropriation from the General Fund. There is no reservation of assets for this liability.

Component Units

The Metropolitan Council (MC) (governmental fund) issues general obligation bonds for parks, solid waste, sewers, and transportation, backed by the MC full faith and credit and taxing powers. The MC had \$122,563,000 in general obligation bonds outstanding on December 31, 1996.

The following is a debt repayment schedule for Metropolitan Council (MC) and the Agricultural and Economic Development Board (AEDB).

Long-Term Debt Repayment Schedule Component Units - Government Funds (in thousands)

Year Ending <u>December 31</u>	General Obligation		Revenue
	<u>Bonds</u> <u>MC</u>	<u>Amount</u>	<u>Bonds</u> <u>AEDB</u>
1997	\$ 20,425	Year Ending <u>June 30</u>	\$ 3,919
1998	22,572	1998	3,922
1999	31,275	1999	4,046
2000	19,082	2000	4,138
2001	11,051	2001	3,402
Thereafter	<u>45,715</u>	Thereafter	<u>38,224</u>
Total	\$150,120		\$57,651
Interest	<u>27,557</u>		<u>24,205</u>
Bond Principal	\$122,563		\$33,446

8. LEASE AGREEMENTS

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1997 totaled \$43,421,862 and \$970,182 for the state and component units respectively. Lease expenditures for the year ended December 31, 1996 totaled \$2,012,637 for component units. Future minimum lease payments for existing lease agreements are as follows (in thousands):

Primary Government		Components Units			
Year Ending June 30	Amount	Year Ending June 30	Amount	Year Ending December 31	Amount
1998	\$ 45,142	1998	\$1,064	1997	\$ 1,376
1999	33,153	1999	990	1998	1,358
2000	24,036	2000	290	1999	1,342
2001	20,666	2001	295	2000	1,254
2002	15,249	2002	307	2001	1,141
Thereafter	<u>3,579</u>	Thereafter	<u>-</u>	Thereafter	<u>4,624</u>
Total	\$141,825	Total	\$2,946	Total	\$11,095

Capital Leases

The state and its component units have entered into several capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the equipment at any time during the lease period.

In the governmental funds, equipment purchased through capital lease agreements is included with the general fixed assets. The state's liability for these capital leases is included in general long-term obligations (see Note 7).

9. LONG-TERM OBLIGATIONS - PROPRIETARY FUNDS

Revenue Bonds

Primary Government

The agencies listed below (enterprise fund activity) have the authority to issue, and have issued, bonds which are not general obligations of the state but are payable solely from rentals, revenues and other income, charges and monies as were pledged for repayment. Premiums and discounts on revenue bonds are amortized using the interest method over the life of the bonds to which they relate.

The State Colleges and Universities Revenue (SCU) is authorized by Minnesota Statutes, section 136F.98 to issue revenue bonds in the principal amount of \$104,800,000 to finance the acquisition, construction and remodeling of college buildings for residence hall, student union and food service purposes.

The Minnesota State Colleges and Universities (MnSCU), which is included in the College and Universities Enterprise Activities (CUEA), finance the construction of a dormitory and a modular housing project through the Higher Education Facilities Authority. The \$1,815,000 debt for these two projects is reported by the MnSCU in the CUEA.

Component Units (proprietary funds)

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes, section 462A.21-.22 to issue its bonds and notes for the purpose of providing funds for rehabilitation loans, construction loans and mortgage loans to sponsors of residential housing for families of low and moderate income, or for refunding bonds. The amount of such bonds outstanding at any time shall not exceed \$2,400,000,000.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes, section 446A.072 to issue revenue bonds for the purpose of making loans to municipalities for wastewater treatment facilities. The amount of such bonds outstanding at any time shall not exceed \$450,000,000, according to Minnesota Statutes Section 446A.12.

The Metropolitan Council (MC) issues stadium revenue bonds and environmental services general obligation bonds backed by the MC in full faith and credit and taxing powers.

The Higher Education Services Office (HESO) is authorized by Minnesota Statutes, sections 136A.171-.175 to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount of such bonds outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed \$550,000,000.

The University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects.

General Obligation Bonds

General obligation bonds have been issued for the State Colleges and Universities (SCU) Revenue Fund (an enterprise fund). The liability for these bonds is reported in that fund. The earnings of the fund are pledged for repayment of the general obligation bonds and any revenue bonds sold for the same purpose. At June 30, 1997, the total of general obligation bonds outstanding in the SCU Revenue Fund was \$805,000.

Bond Defeasances

For proprietary fund debt that was defeased in prior years through in-substance defeasances, the outstanding defeased amount as of June 30, 1997 for SCU is \$34,570,000. SCU remains contingently liable to pay this defeased debt.

Primary Government

Long-Term Debt Repayment Schedule Proprietary Funds - June 30, 1997 (in thousands)

Fiscal Year(s)	Revenue Bonds		General Obligation Bonds <u>SCU</u>
	<u>SCU</u>	<u>CUEA</u>	
1998	\$ 2,700	\$ 95	\$ 828
1999	2,710	95	-
2000	2,571	105	-
2001	2,584	105	-
2002	2,573	105	-
Thereafter	<u>48,448</u>	<u>1,310</u>	<u>-</u>
	\$61,586	\$1,815	\$828
Unamortized Discount	(616)		
Interest	(30,015)	-	(23)
Bond Principal	\$30,955	\$1,815	\$805

Component Units

Long-Term Debt Repayment Schedule
Component Units - June 30, 1997
(in thousands)

Fiscal Year(s)	Revenue Bonds					General Obligation Bonds	
	HFA	PFA	MC*	HESO	U of M	MC*	U of M
1997	\$ -	\$ -	\$ 4,031	\$ -	\$ -	\$ 63,744	\$ -
1998	200,317	35,106	4,029	9,270	1,450	61,310	18,388
1999	163,988	35,995	4,029	2,670	1,449	96,488	14,548
2000	164,771	35,726	4,031	2,670	1,450	88,338	14,548
2001	160,868	36,522	4,029	2,670	1,430	56,199	14,548
2002	150,490	36,800	4,033	2,670	1,402	48,679	20,384
Thereafter	<u>3,217,172</u>	<u>414,052</u>	<u>28,211</u>	<u>121,813</u>	<u>14,822</u>	<u>167,595</u>	<u>304,679</u>
	\$4,057,606	\$594,201	\$52,393	\$141,763	\$22,003	\$582,353	\$387,095
Unamortized (Discount)/Premium	-	423	-	-	-	(4,475)	-
Interest	(2,079,839)	(214,797)	(16,313)	(66,663)	(7,823)	(266,723)	(108,446)
Accretion	<u>-</u>	<u>(12,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bond Principal	\$1,977,767	\$367,433	\$36,080	\$75,100	\$14,180	\$311,155	\$278,649

*MC fiscal year ends December 31, 1996

10. LONG-TERM COMMITMENTS

Long-term commitments consist of grant agreements, construction and other contracts. These commitments will be partially funded by current reserves for long-term commitments with the remaining resources provided by future bond proceeds, mining tax revenues and federal grants. Long-term commitments as of June 30, 1997 were as follows (in thousands):

Special Revenue Fund:	
Trunk Highway Fund	\$381,275
Capital Projects Funds:	
General Project Fund	752
Transportation Fund	17,394
Building Fund	<u>272,645</u>
Total Primary Government	<u>\$672,066</u>
Component Unit:	
University of Minnesota	\$356,186

11. CONTINGENT LIABILITIES - LITIGATION

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable or from funds appropriated for the payment of tort claims for that purpose. The tort claims appropriations for the fiscal year ending June 30, 1997 appropriations were \$900,000, and of the amount appropriated for tort claims for fiscal years 1996 and 1997, \$225,000 was transferred to the corrections ombudsman to settle an age discrimination case and for fiscal year ending June 30, 1998 appropriations were \$875,000. The maximum limits of liability for tort claims are \$200,000 for any individual claim and \$600,000 for any number of claims arising out of a single occurrence. Effective January 1, 1998, for claims arising from acts or omissions taking place after that date the maximum limits of liability for torts claims are \$300,000 for any one claim and \$750,000 for any number of claims arising out of a single occurrence arising on or after January 1, 1998 and before January 1, 2000 or \$1,000,000 for any number of claims arising on or after January 1, 2000.

2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over \$10,000,000 in excess of current levels.

a. At any one time, there are hundreds of long-term care rate appeals pending with the Department of Human Services. In the aggregate, it is possible that the adverse impact of the appeals exceeds \$10 million. Any liability comes from a combination of the federal and General Funds and a lesser amount from local governmental units.

b. At any one time, there are hundreds of Department of Transportation eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the Department and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been or will be acquired exceeds \$10 million. Liability arising out of decisions unfavorable to the state may impact the state's trunk highway fund.

c. At any one time, there are claims and cases pending against various state agencies, including but not limited to, the Departments of Administration and Transportation and the Minnesota State Colleges and Universities, and other state agencies which may be potentially responsible parties for clean-up of hazardous and other contaminated waste sites under federal and state superfund and other environmental laws. In the aggregate, it is possible that the potential liability of the state for such claims may exceed \$10 million because all parties are jointly and severally liable under federal and state superfund laws. Liability out of decisions unfavorable to the state may impact the trunk highway fund for claims against the Department of Transportation and the state's General Fund for claims against other state agencies.

d. *Independent School District No. 625, Saint Paul, Minnesota v. State of Minnesota*, Ramsey County District Court. The St. Paul School District ("District") commenced a suit in state court against the state of Minnesota, the Legislature, the governor, the Board of Education, and the Department of Children, Families and Learning and its Commissioner claiming that the state has failed to provide sufficient resources to the District to enable it to provide an adequate education to the District's poor and minority students and students in need of special education and English instruction. The complaint seeks declaratory and injunctive relief. While it is impossible at this point to accurately predict the state's exposure in this case, especially since the District has not quantified the additional resources it seeks, it is possible that the state could be ordered to pay in excess of \$10 million to the District.

e. *Minneapolis Branch of the NAACP v. State of Minnesota*. Hennepin County District Court. In September 1995, the Minnesota Branch of the NAACP and several Minneapolis school children and their parents brought suit in State Court against the state of Minnesota, the Governor, the Treasurer, the Auditor, the Attorney General, the Legislature, various legislators, the state Department of Children, Families and Learning and several of its officials, the state Board of Education and its members, and the Metropolitan Council, claiming that the segregation of minority and poor students in the Minneapolis public schools has deprived the students of an adequate education in violations of the Minnesota Constitution. The plaintiffs also claim that the unequal education received by Minneapolis students relative to students in suburban schools violates the Minneapolis students' right to equal protection under the Minnesota Constitution. The Metropolitan Council is no longer a defendant in the plaintiffs' state court action. The suit, which is being brought as a class action, seeks a declaratory judgment that the defendants have violated the law, and injunction requiring them to obey the law and to provide the students an adequate and desegregated education, and an award of attorney fees. It is impossible at this point to estimate the state's exposure in this case especially since the plaintiffs have not articulated the precise relief they are seeking. While the complaint does not request monetary damages, it does request injunctive relief that could force the state to spend a substantial sum of money for additional funding of various items for the Minneapolis schools, and increased busing expenses. Since the complaint alleges that the segregation of the Minneapolis schools is at least partially the result of housing practices and policies that have caused disproportionate concentrations of poor and minority students in select areas, it is possible that the relief the plaintiffs will ultimately request will involve the redistribution of minority and poor families in the Minneapolis/St. Paul metropolitan area. The cost of any such relief, if required to be paid by the state, could exceed \$10 million. The district court denied the state's motion to dismiss as to the state and certain

principal named defendants but the district court did grant the motion to dismiss as to certain other state officials. The district court denied the plaintiffs' motion for partial summary judgment. The state, in response to the District Court's denial of its motion to dismiss, filed an appeal to and petition for accelerated review by the Minnesota Supreme Court. In January of 1997, the Minnesota Supreme Court dismissed the state's appeal as premature. In May of 1997, the state filed a motion with the district court seeking judgment on the pleadings for lack of subject matter jurisdiction which the district court denied. The parties are also evaluating a possible alternative dispute resolution process. In the meantime, district court proceedings are continuing.

f. *PepsiCo, et al. v. Commissioner of Revenue.* Tax Court. The taxpayers are twelve corporations who claim unconstitutional treatment under certain provisions of Minnesota tax law. The most significant issue in the case involves the tax provision which accorded a special research and development credit only to domiciliary corporations. The Department of Revenue has not determined the potential refund liability were the plaintiffs to prevail; however, the aggregate refunds to all similarly-situated taxpayers could exceed \$10 million dollars.

g. *Peter v. Johnson, et. al.*, United States District Court. Plaintiffs claim that the state and school districts are required to provide certain special education services in private, parochial schools by the First Amendment freedom of speech and religion, the Fourteenth Amendment, the Equal Protection Clause, the Religious Freedom Restoration Act and the Individuals with Disabilities Education Act. Although damages, costs and attorneys' fees are claimed, no specific dollar amount is identified. Settlement discussions are underway over attorneys fees with plaintiffs claiming attorneys fees of under \$200,000 and the state disputing the amount in light of the U.S. Supreme Court decision in Agostini v. Felton.

h. *Rural American Bank - Ada f/k/a First Bank of Ada, et al. v. Commissioner of Revenue.* Ramsey County District Court. The taxpayers claim they are entitled to refunds pursuant to the Court's decision in Cambridge State Bank, et al v. Commissioner of Revenue, 514 N.W. 2d 565 (Minn. 1994) in which the Court struck down a provision of the franchise tax law which taxed interest income from federal obligations. The complaint and alternative writ of mandamus seek to require the Commissioner to pay refunds to one hundred thirty-one banks who were not parties to the Cambridge and Cambridge-related cases. The District Court ruled the Commissioner must pay the refunds. The Commissioner denies any liability to the plaintiffs and an appeal by the Commissioner is anticipated. It is possible that the state could be ordered to pay in excess of \$38 million dollars.

12. CONTINGENT LIABILITIES - OTHER

Primary Government

Pension Trust Funds

In addition to the pension trust funds included in the reporting entity (see Note 16), there are other public employee pension funds for whose unfunded liability the state may be contingently liable. These are pension trust funds where the state is funding a portion of the unfunded liability. The pension trust funds involved, the year end for which the most current data is available, and the unfunded liabilities are provided below (in thousands):

Minneapolis Employee Retirement Fund	June 30, 1997	\$211,900
Minneapolis Teachers Retirement Fund	June 30, 1997	\$500,203
St. Paul Teachers Retirement Fund	June 30, 1997	\$201,183
Local Police and Fire Funds	December 31, 1996	\$117,991

Pension trust funds for which the state has custodial responsibility, but for which the state is not contingently liable, include the Public Employees Retirement, Police and Fire, and the Police and Fire Consolidation funds.

All of the above unfunded liabilities were computed using the entry age normal actuarial cost (level normal cost) method. Assumptions include 6 and 5 percent interest rates, and 4 and 3.5 percent annual salary growth rates for the Minneapolis Employee Retirement Fund and the Local Police and Fire funds respectively. Additional annual contributions are provided to reduce the current unfunded liabilities. It has been the intent of the legislature, in establishing contribution rates, to provide sufficient resources to retire, or fully fund, the liabilities for the Local Police and Fire funds by June 30, 2009 and by June 30, 2020 for the Minneapolis Employees Retirement Fund.

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup act (MS I15C.09) requires the state to reimburse owners for most of their costs to clean up contamination from leaks and spills from petroleum tanks. The payments will be from the Petroleum Tank Cleanup Fund (Petrofund), a special revenue fund. It is certain that a significant number of unreported tank contamination sites and cleanup costs presently exist which will require Petrofund expenditures. As of June 30, 1997, liabilities of \$279 million have been recognized by the Petrofund. Various studies have estimated that the total of all payments for the program may reach \$450-\$800 million of cleanup costs (based on data available through July 1992).

Solid Waste Fund

The Closed Landfill program was established to provide environmental response to qualified landfill sites. There are currently 106 closed state permitted sites that either are or will be able to qualify for the program. The state becomes responsible for closed municipal solid waste facilities only after certain eligibility requirements are met. The state may perform cleanup and final cover procedures as well as certain maintenance and monitoring functions at these qualifying sites for fifty or more years after closure. The closure and post-closure care costs are typically paid only when the landfill sites become eligible. The state reports a portion of these costs as operating expenses in each fiscal period. As of June 30, 1997, cumulative expenditures of \$40.4 million have been made by the Solid Waste Fund. Various studies have estimated that the total of all payments for the program may reach \$420 million (based on 1994 dollars). These estimates include response action costs and reimbursements. Actual costs may be higher because of inflation, changes in technology, or changes in regulations.

Component Units

The **Metropolitan Council** enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 1996, unpaid commitments for transit services totaled approximately \$16 million, unpaid commitments for construction contracts totaled approximately \$7.4 million, and future commitments for Regional Transit Capital projects are approximately \$21 million.

The **Minnesota Workers' Compensation Assigned Risk Plan (WCARP)** contracts with five servicing contractors to provide policy issuance, premium accounting and claim settlement services in exchange for a service fee based upon standard written premium. Contingent liabilities exist with respect to performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general services agreement.

The WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts still in force at December 31, 1996, was approximately \$5 million.

Workers' Compensation Assigned Risk Plan had a change in estimates of insured events in prior years. This decrease resulted in a reduction in the estimate of the ultimate cost of losses incurred, thus a negative expense for this fiscal year. This decrease was due primarily to the release of reserves attributed to improvement in claim experience, as well as changes in economic, social, and legal trends since the loss reserves were originally established.

The **University of Minnesota (U of M)** has construction projects in progress, principally buildings, that have been included in the assets of the plant funds at June 30, 1997 approximating \$112,401,000. The estimated cost to complete these facilities is \$356,186,000, to be funded from currently available plant fund assets.

The U of M owns certain steam production facilities which produce steam for heating and cooling the Twin Cities campuses and which by agreement are managed, operated, and maintained by an unaffiliated company. The term of the agreement is for 25 years and commenced on July 1, 1992. Under the agreement, the U of M must make minimum fixed payments for certain operating and maintenance costs as well as contingent payments based on monthly usage. The minimum fixed amount of the required payments at June 30, 1997 is as follows (in thousands):

Fiscal Year <u>Ending June 30</u>	<u>Total</u>
1998	\$ 5,592
1999	5,592
2000	4,913
2001	4,913
2002	4,913
Thereafter	<u>73,698</u>
Total	\$99,621

The Social Security Administration has claims against the U of M regarding social security taxes related to medical students for the years 1987 through 1990. The U of M estimates that the total amount of tax at issue for the period, January 1, 1987 through September 30, 1990, is approximately \$10,400,000, excluding interest. The U of M is vigorously contesting this claim. The University has recorded what it believes to be a reasonable liability for these taxes of \$5,570,000 in the financial statements.

From 1992 to present, the University and the federal government have separately and independently investigated allegations of civil and criminal misconduct in the Minnesota Anti-Lymphocyte Globulin (MALG) Program and other Department of Surgery activities. On December 19, 1996, the University was sued by the United States under the False Claims Act and other federal laws. The U of M is vigorously contesting these claims. The University has not recorded a liability for these claims in the financial statements.

The University enters into various fixed-to-floating rate interest swap agreements in the total amount of \$405,000,000. Under these agreements, the University makes floating rate interest payments monthly based upon the weekly Public Securities Association (PSA) Municipal Swap Index, ranging from 4.8% to 5%. The University receives fixed-rate interest payments ranging from 4.45% to 5.43% semiannually. The University sold a put option on one of the swaps, which allows the counterparties to put up to \$190,000,000 of bonds or eligible government or municipal securities to the University. These swap agreements have 15 or 20 year maturities. Other swap agreements allow the counterparties to terminate the swap after 10 years if the trailing 90-day average of the PSA exceeds 7%.

Other Contingent Liabilities

The 1993 Legislature adopted legislation establishing a **School District Credit Enhancement Program (SDCEP)**. The legislation authorized and directs the commissioner of Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the commissioner of Children, Families and Learning to pay debt service coming due on school district tax and state-aid anticipation certificates of indebtedness and school district general obligation bonds in the event money in its debt service fund for this purpose, or the paying agent informs the commissioner of Children, Families and Learning that it has not received from the school district timely payment of moneys to be used to pay debt service. The amounts paid on behalf of any school district are required to be repaid by it with interest, either through a reduction of subsequent state-aid

payments or by the levy of an ad valorem tax which may be made with the approval of the commissioner of Children, Families and Learning. As of August 1, 1997, there were approximately \$4.3 billion principal amount of bonds, certificates of indebtedness, and capital notes enrolled in the program. The state has not had to make any debt service payments on behalf of school districts under the program and does not expect to make any payments in the future.

13. NORTHWEST AIRLINES MAINTENANCE FACILITIES

Minnesota Laws 1991, Chapter 350, authorized the state to issue revenue bonds secured by the state's full faith and credit in an amount up to \$50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to \$125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. ("NAI"), the intended lessee of both facilities, and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the state would use its best efforts to issue revenue bonds secured by the state's full faith and credit for the Duluth facility. The state issued \$47,670,000 of revenue bonds in May 1995, of which, \$28,440,000 are payable primarily from lease payments of NAI, and of which \$19,230,000 are payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the city of Duluth. In the event such revenues are insufficient the state will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the city of Duluth. Of the \$47,670,000 revenue bonds issued by the state, \$44,960,000 are secured by the state's full faith and credit and \$2,710,000 are secured by the full faith and credit of St. Louis County. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30 year amortization period. The 1997 Minnesota legislature canceled \$48,765,000 of the bonding authorization for the engine repair facility.

14. EQUITY

Contributed Capital

Components of the changes in the contributed capital of the enterprise and internal service funds and component unit proprietary funds are as follows (in thousands):

Source	PRIMARY GOVERNMENT			COMPONENT UNITS
	Enterprise Funds	Internal Service Funds	Total	Proprietary
Contributed Capital, July 1, 1996	\$15,371	\$6,053	\$21,424	\$691,012
Additions:				
General Fund Contributions	152	-	152	-
Federal Grants	-	-	-	37,422
Other Sources	-	11	11	7,600
Reductions:				
Amortization/Depreciation on Fixed Assets				
Acquired with Contributed Capital	(365)	-	(365)	(31,314)
Contributed Capital, June 30, 1997	\$15,158	\$6,064	\$21,222	\$704,720

Retained Earnings

Reserved Retained Earnings - Component Units

The component unit, Reserved Retained Earnings per Law, consists of \$59,406,000 in the Minnesota Housing Finance Agency funds. Retained earnings is the unused portions of state appropriations provided for specific programs. These programs are primarily for interest rate reduction on housing mortgages and home improvement loans.

Deficit Fund Balance or Retained Earnings - Primary Government

The Transportation Fund, a capital projects fund, has a deficit fund balance of \$5,925,000 due to spending of anticipated but unissued bonds.

Historically, the Chemical Dependency Treatment Fund, an enterprise fund, has had deficit retained earnings because rates charged for services were insufficient to cover costs. The deficit retained earnings of \$822,000 is expected to be eliminated in the near future.

The Private Employers Insurance Fund, an enterprise fund, has a deficit retained earnings because premiums charged for services were insufficient to cover costs. The deficit retained earnings of \$1,334,000 is not expected to be reduced in the future because the Minnesota Employees Insurance Program, which provides the income for the fund, is being discontinued due to economic conditions in the small group insurance market. The Health Care Access fund (special revenue fund) will likely absorb any loss because it carries an advance to the fund of \$2,075,000.

Fund Balances

The following table identifies in greater detail, the fund balances (amounts in \$000) of the reporting entity:

	Governmental Fund Types					Fiduciary Fund Types Trust and Agency	University Fund Type University of Minnesota
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Component Units</u>		
Fund Balances:							
Reserved for Encumbrances	\$ 113,288	\$ 122,528	\$ 841	\$ -	\$ 900	\$ 8,714	\$ 16,450
Reserved for Inventory	-	14,569	-	-	-	2,197	-
Reserved for Long-Term Receivables	13,286	88,365	48,370	-	79,490	20,031	-
Reserved for Long-Term Commitment	-	56,254	115,609	-	37,108	-	-
Reserved for Local Governments	-	-	-	-	-	356,250	-
Reserved for Trust Principal	-	-	-	-	-	613,786	-
Reserved for Debt Requirements	-	-	-	352,838	-	-	-
Reserved for Pension Benefits	-	-	-	-	-	30,911,416	-
Budgetary Reserve	583,500	-	-	-	-	-	-
Reserved for Long-Term Advances	2,969	2,075	-	-	-	-	-
Reserved for Other	-	4,759	-	-	-	-	716,516
Total Reserved Fund Balances	\$ 713,043	\$ 288,550	\$ 164,820	\$ 352,838	\$ 117,498	\$ 31,912,394	\$ 732,966
Unreserved Fund Balances:							
Designated for Appropriation Carryover	130,404	32,936	-	-	-	-	-
Designated for Fund Purposes	-	223,511	2,272	-	109,421	584,763	171,553
Total Designated Fund Balance	\$130,404	\$256,447	\$2,272	\$ -	\$109,421	\$584,763	\$171,553
Undesignated	642,344	558,100	(4,214)	-	13,890	-	168,400
Total Unreserved Fund Balances	\$772,748	\$814,547	(\$1,942)	\$ -	\$123,311	\$584,783	\$339,953
Total Fund Balance	\$1,485,791	\$1,103,097	\$162,878	\$352,838	\$240,809	\$32,497,157	\$1,072,919

	Proprietary Fund Types		
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Component Units</u>
Retained Earnings:			
Reserved for Debt Requirements	\$ 13,570	\$ -	\$ 540,468
Reserved per Law	-	-	59,406
Reserved for Claims	-	59,646	34,625
Total Reserved Retained Earnings	\$ 13,570	\$ 59,646	\$ 634,499
Unreserved Retained Earnings	\$ 141,169	\$ 13,725	\$ 576,198
Total Retained Earnings	\$ 154,739	\$ 73,371	\$ 1,210,697

Reserved Fund Balances - The reserved portion of the fund balances indicates that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use.

The Budgetary Reserve in the General Fund is an amount appropriated by the legislature for use only when it appears that probable receipts will be less than anticipated and that the amount available for the remainder of the biennium will be less than needed for budgeted expenditures. In this circumstance, state law requires that the Commissioner of Finance, with the approval of the governor and after consulting with legislative leadership, transfer amounts necessary from the reserve to the unreserved fund balance.

Reserved for Local Governments is the equity amount in three expendable trust funds required by the state constitution to be paid to local governments. The funds are the Municipal State-Aid Street, County State-Aid Highway and Endowment School funds. The payments to these local governments are for street and highway projects (to municipalities and counties) and to subsidize education in the local school districts.

Reserved for Other totaling \$4,759,000 in the special revenue funds consists primarily of petroleum overcharge fines (\$3,431,000 in the Federal Fund and \$903,000 in the Miscellaneous Special Revenue Fund) allocated by the federal courts to be used for energy conservation programs. The balance consists of the reserve for a revenue bond (\$425,000 in the Iron Range Resources and Rehabilitation Fund) as required by bond covenants.

Reserved for Others - University of Minnesota (component unit), totaling \$716,516,000, consists primarily of current externally restricted operating funds along with restricted plant funds that may be utilized only in accordance with the purposes established by the source of the funds.

Unreserved Fund Balances - Primary Government

The unreserved portion of the fund balances consists of designated fund balances indicating tentative managerial plans for future use of resources and undesignated fund balances indicating those unreserved financial resources available for appropriation. A portion of the undesignated fund balances in the Natural Resources funds (special revenue) may be appropriated only for specific programs.

Designated for Fund Purposes consists of fund balances for non-appropriated funds to be used for the following purposes (in thousands):

<u>Special Revenue Funds</u>	
Education	\$ 9,885
Economic Development	93,874
Health and Social Services	71,651
Transportation	2,486
Resource Management	13,401
Miscellaneous	32,214

<u>Capital Projects Funds</u>	
Resource Management	\$ 2,272

<u>Expendable Trust Funds</u>	
Economic Development	\$564,951
Resource Management	8,847
Miscellaneous	10,965

Designated for Fund Purposes of Governmental Component Units totaling \$280,974,000 is to be used primarily for debt service.

15. PRIOR PERIOD ADJUSTMENTS AND REPORTING CHANGES

Prior Period Adjustments

Primary Government

The Special Workers Compensation Fund (special revenue) had historically reported all outstanding accounts receivables as period revenue and an outstanding asset. A correction to this method has been implemented, resulting in a decrease to fund balance by \$3,336,000.

School aid grant final payments are based on data for one fiscal year but are paid from resources appropriated for the subsequent year as specified in law. In the past the state reported these grant payments in the General Long-Term Obligations Account Group. Beginning fiscal year 1997, the General Fund is recognizing this as a current liability of that fund. This change resulted in a \$423,838,000 decrease to the General Fund's beginning balance.

The Risk Management Fund (internal service) reported an increase to retained earning for \$284,000 to recognize a decrease in the actuarial valuation of Incurred But Not Reported claims for prior years.

The Private Employers Insurance and the Public Employees Insurance Funds (enterprise) understated fiscal year 1996 insurance premiums expenses by \$542,000 and \$658,000 respectively.

The Maximum Effort School Loan Fund (special revenue) reported an increase allowance for doubtful loans during fiscal year 1997 based on an analysis of loan collectibility. This adjustment resulted in a prior period adjustment of \$86,272,000.

Component Units

Metropolitan Council (component unit-proprietary) understated their fiscal year 1995 deferred revenue by \$1,489,000. In addition, a net adjustment of \$275,000 was necessary to reestablish an asset and related depreciation. The net effect of these two adjustments was a decrease to fund balance of \$1,214,000.

Other Changes in Accounting Principles

Primary Government

For fiscal year 1997, the state implemented the GASB Statements 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and 27, Accounting for Pensions by State and Local Government Employers. GASB 25 requires recognizing investments at fair value. In prior years, short-term and equity investments had been reported at cost and fixed income securities at amortized cost for the Defined Benefit Pension Plans. The result of this change decreases current year income and increases beginning fund balance by the following amounts:

Public Employees Retirement	\$ 905,507,000
Police & Fire Retirement	202,444,000
Police & Fire Consolidated	101,487,000
Teachers Retirement	1,336,686,000
State Employees Retirement Fund	540,603,000
State Patrol Retirement	46,968,000
Correctional Employees Retirement	24,671,000
Judicial Retirement	11,195,000
Legislative Retirement	3,464,000
Total	\$3,173,025,000

In addition, the state implemented GASB statement 28, Accounting and Financial Reporting for Securities Lending Transactions.

Component Units

In prior years the state has presented, unmodified, the published financial statements prepared by the

University of Minnesota (U of M). The U of M prepares and publishes audited financial statements in conformity with the American Institute of Certified Public Accountants' (AICPA) audit guide, Audits of Colleges and Universities, and guidelines of the National Association of College and University Business Officers. This presentation has resulted in inconsistent recognition of intra-reporting entity receivables, liabilities, and transfers. The U of M's published statements have been adjusted to eliminate receivables from the state for appropriations for funding activities of future periods, to eliminate debt service liabilities to the state for debt service of future periods, and to reclassify state grant revenue as transfers-in from primary government.

Minnesota Technology Incorporated (component unit-governmental) fund balance has been adjusted due to a change in the application of accounting principles. The change required an offsetting Investment in Fixed Assets Equity account, which resulted in a decrease in fund balance of \$808,000.

Agriculture and Economic Development Board (component unit-governmental) fund balance has been adjusted. Due to a change in the application of accounting principles, an adjustment of \$21,983,000 was made to completely offset revenue bonds payable by an amount to be provided for Debt Service. The adjustment consisted of the difference between last year's revenue bonds payable and the amount to be provided along with an adjustment to loans receivable.

In fiscal year 1996 the National Sports Center Foundation (component unit-proprietary) was reported under the guidance of Finance Accounting Standard No. 116 (FAS-116), Accounting for Contributions Received and Contributions Made. The enclosed statements have restated beginning retained earnings and applied the accounting principles in effect prior to the issuance of FAS-116.

16. PENSION TRUST FUNDS

The state of Minnesota performs a fiduciary role for several pension trust funds. For some of these, the state contributes as an employer, and for others, performs only a fiduciary role. These pension funds are categorized as either Defined Benefit, Defined Contribution, or Pension Investment Trust funds.

Pension fund information is provided by three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below. See Summary of Significant Accounting and Reporting Policies note for addresses.

<u>Plan Administrator</u>	<u>Plans Covered</u>
Public Employees Retirement Association	Public Employees Retirement Fund Police and Fire Fund Police and Fire Consolidated Fund
Teachers Retirement Association	Teachers Retirement Fund
Minnesota State Retirement System	State Employees, State Patrol, Correctional Employees, Judicial, Legislative, and Unclassified Employee Retirement Funds, and Elective State Officers Fund

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

Multiple employer, cost-sharing plans:

The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Thirty-two employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates are 1 percent and 1.5 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by the school districts or by the state. Four hundred fifty-four employers participate in this plan. Normal retirement is age 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for basic members are 2.13 and 2.63 percent and for coordinated members, 1.13 and 1.63 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Public Employees Retirement Fund (PERF) covers employees of various governmental subdivisions, including counties, cities, school districts and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: basic and coordinated. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for basic members are 2 and 2.5 percent and for coordinated members, 1 and 1.5 percent. The state is not an employer of the participants in the plan but performs only in a fiduciary capacity and is not responsible for the unfunded accrued liability of this fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions who, prior to 1981, were not covered by a local relief association and covers all those hired since 1980. The state is not an employer of participants in the plan but performs in a fiduciary capacity. The state is the employer of PERA administrative staff. Approximately 500 employers participate in this plan.

Single employer (state of Minnesota) plans:

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers, and various conservation officers who perform enforcement duties. One employer participates in this plan. Normal retirement age is 55. Annuity is based on 2.65 percent for each year of service.

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. One employer participates in this plan. Normal retirement age is 55. The annuity is based on 2.5 percent for each year of service not to exceed 75 percent of average salary.

The Judicial Retirement Fund (JRF) covers judges of the supreme court, district courts, county courts, probate courts and various court referees. One employer participates in this plan. Normal retirement age is 65; the annuity is 2.5 percent for each year of service (3 percent for each year after June 30, 1980).

The Elective State Officers Fund (ESOF) covers the state's constitutional officers. One employer participates in this plan. Vesting occurs after eight years; normal retirement age is 62. Annuities are 2.5 percent for each year of service.

The Legislative Retirement Fund (LRF) covers members of the state's house of representatives and senate. One employer participates in this plan. Vesting occurs after six years normal retirement age is 62. Annuity is 2.5 percent for each year of service.

Multiple employer, agent plan:

The Police and Fire Consolidation Fund (PFCF) covers police officers and firefighters belonging to a local relief association that elected to merge with the Public Employee Retirement Association (PERA). The state is not an employer of participants of the plan but performs only in a fiduciary capacity. Forty-one employers participate in this plan.

Funding Policy Information

	<u>Single Employer</u>					<u>Multiple Employer</u>	
	<u>CERF</u> 352	<u>SPRF</u> 352B	<u>JRF</u> 490	<u>ESOF</u> 352C	<u>LRF</u> 3A	<u>SERF</u> 352	<u>TRF</u> 354
Statutory Authority, Minnesota, Chapter							
Required Contribution Rate of Active Members (%)	4.90	8.92	6.27	9.00	9.00	4.07	6.51
Required Contribution Rate of Employer (%)	6.75	14.88	22.00	N/A	N/A	4.20	8.15

Cost Sharing Plan Required Contributions (in thousands)

Required Contributions	<u>SERF</u>	<u>TRF</u>
(employee and employer)*	1997	\$130,416
	1996	\$129,064
	1995	\$124,788
		\$323,208

*Contributions were 100 percent of required contributions.

Single Employer Plan Disclosures (in thousands)

		<u>SPRF</u>	<u>CERF</u>	<u>JRF</u>	<u>ESOF</u>	<u>LRF</u>
ARC*	1997	\$6,388	\$10,133	\$6,367	\$235	\$3,616
Interest on NPO*	1997	0	0	0	0	\$73
Amort adj to ARC*	1997	0	0	0	0	\$(54)
Annual Pension Cost	1997	\$6,388	\$10,133	\$6,367	\$235	\$3,635
	1996	\$8,239	\$ 8,022	\$6,291	\$200	\$2,606
Contributions	1997	\$9,897	\$14,636	\$8,099	\$209	\$3,874
	1996	\$9,226	\$ 8,134	\$7,871	\$192	\$2,075
% of APC Contributed	1997	155%	144%	127%	89%	107%
	1996	112%	101%	125%	96%	80%
NPO (end of year)	1997	0	0	0	0	\$620
	1996	0	0	0	0	\$859
Incr.(Decr) in NPO	1997	0	0	0	0	\$(239)

*Components of Annual Pension Cost

Information on annual pension cost, contributions, percentage of annual pension cost contributed, and NPO (end of year) is provided for current and transition years as required in Statement 27, Pensions by State and Local Government Employers. Future presentations will provide the current year and two preceding years.

Calculation of Net Pension Obligation (Asset) for Single-Employer and Multiple-Employer Cost Sharing Plans

The net pension (obligation) asset was calculated in accordance with the requirements prescribed under GASB Statement 27, Pensions by State and Local Governmental Employers. The amount of the net pension (liabilities) assets at transition are as follows:

Net Pension Assets (Liabilities) in thousands

	<u>SPRF</u>	<u>CERF</u>	<u>JRF</u>	<u>ESOF</u>	<u>LRF</u>	<u>SERF</u>	<u>TRF</u>
1996	\$ 0	\$ 0	\$8,380	\$47	(\$859)	\$20,025	\$44,587

For fiscal year 1996, ESOF and LRF reported a pension liability in the General Long-Term Debt Account Group of \$8,000 and \$518,000 respectively. For fiscal year 1997, ESOF's liability was eliminated and LRF's liability was increased by \$102,000. The financial statements for fiscal year 1996 and 1997 do not recognize pension assets.

Actuarial assumptions for Single Employers

- The actuarial cost method used by all plans is the Entry Age Normal method.
- The method used to determine actuarial valuation of assets is cost plus one-third unrealized gains or losses.
- Minnesota statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Investment returns for pre-retirement and post-retirement are 8.5 percent and 6.0 percent respectively for SPRF, CERF, and JRF and 8.5 percent and 5.0 percent respectively for LRF and ESOF.
- Projected salary increases are graded from 7.25 percent to 5.25 percent for SPRF and CERF. For LRF, ESOF, and JRF, projected salary increases are a level 5.0 percent.
- The payment of earnings on retired reserves in excess of 6 percent are accounted for by 6 percent post-retirement assumptions for SPRF, CERF, and JRF. Payment of earnings on retired reserves in excess of 5 percent are accounted for by 5 percent post-retirement assumptions for LRF and ESOF.
- The level percentage of projected payroll is the amortization method used.
- The amortization period of 23 years is closed.

Significant Changes in Trend Information for Single Employers

Contribution Rates - Member and Employer Contribution rates were reduced to 8.4 percent and 12.6 percent of salary respectively for SPRF and increased to 5.5 percent and 7.7 percent of salary respectively for CERF as of July 1, 1997.

Benefit Factor - The benefit factor increased by .35 percent for SPRF and .20 percent for JRF and decreased by .10% (with continuation of benefit for life) for CERF.

Benefit Provisions - CERF added the Level Social Security option to either age 62 or Social Security Retirement Age. SPRF's early retirement reduction prior to age 55 changed from actuarial equivalent to 2/10 percent per month. JRF increased the maximum benefit to 70 percent of salary for the 12 months preceding retirement.

Benefit Increases - SPRF, CERF, and JRF's post-retirement benefit increases are now paid in excess of 6 percent rather than 5 percent of earnings with corresponding benefit increases for Members who do not receive the new benefit rates. LRF and ESOF's post-retirement benefit increases are now paid in excess of 6 percent rather than 5 percent of earnings with a corresponding increase in the benefit level made at the time of retirement.

Required Supplementary Information Schedule of Funding Progress (in thousands)

Actuarial Valuation Date	1997	<u>SPRF</u> 7/1/97	<u>CERF</u> 7/1/97	<u>JRF</u> 7/1/97	<u>ESOF</u> 7/1/97	<u>LRF</u> 7/1/97
Actuarial Value of Plan Assets	1997	\$375,650	\$241,916	\$74,681	\$456	\$25,678
Actuarial Accrued Liability	1997	\$332,427	\$212,638	\$117,714	\$3,214	\$60,055
Total Unfunded Actuarial Liability (Asset)	1997	(\$43,223)	(\$29,278)	\$43,033	\$2,758	\$34,377
Funded Ratio*	1997	113%	113%	63%	14%	43%
Annual Covered Payroll	1997	\$40,763	\$81,132	\$23,068	\$460	\$7,529
Ratio of Unfunded Actuarial Actuarial Liability to Annual Covered Payroll	1997	(106)%	(36)%	187%	600%	457%

*Actuarial value of assets as a % of actuarial accrued liability.

Information in this schedule is provided for the current year only as required in Statement 27, Pensions by State and Local Government Employers. Future presentations will include the current year and two preceding years when the actuarial valuations have been performed in accordance with the parameters required in GASB Statement 27.

Defined Contribution Funds

The Defined Contribution Funds presented in the financial statements include various statewide public employee retirement funds for which the benefits to be received are limited to an annuity which can be purchased with the combined contributions of both the employee and employer. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial valuation of accrued benefit liability nor any actuarially required contribution.

Plan Descriptions & Contribution Information

The Unclassified Employee Retirement Fund, authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state. Statutory contribution rates are 4 percent for employee and 6 percent for employer. Vesting occurs immediately, and normal retirement age is 58. Annuity is based on age and value of participant's account. Eighteen employers participate in this plan.

The College and Universities Retirement Funds, authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time for a minimum of two academic years. The plan administrator is the Minnesota State College and Universities System. Participation is mandatory for qualified employees. These funds consist of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). There are two member groups participating in the IRAP, one for faculty and one for managerial employees. For the faculty, the employer and employee statutory contribution rates are 6 and 4.5 percent respectively, while for the managerial employees the employer rate is 6 percent and the employee rate is 4.07 percent. For the SRP, the statutory contribution rate is 5 percent of salary between \$6,000 and \$40,000. Vesting occurs immediately, and normal retirement is age 55. Two employers participate in this plan. Total current membership in the plan is 10,267.

Defined Contribution Plans Contributions Made for Fiscal Year 1997 (in thousands)

	<u>Unclassified Employee Retirement Fund</u>	<u>Colleges and Universities Retirement Funds</u>
Employee Contributions	\$3,244	\$11,283
Employer Contributions	\$4,798	\$12,999

Pension Investment Trust Funds

The Pension Investment Trust Funds are administered by the State Board of Investment and serve only as an investment medium for various state, as well as locally administered, retirement funds and the Deferred Compensation Fund, an agency fund.

Component Units

The following component units are participants in the SERF, P&FF, and the Unclassified Employees Retirement funds:

Agricultural and Economic Development Board
Export Finance Authority
Higher Education Services Office
Housing Finance Agency
Metropolitan Council
Minnesota Technology Inc.
Public Facilities Authority
Rural Finance Authority
University of Minnesota

17. POST-RETIREMENT BENEFITS

For certain employees, post-retirement benefits are available upon retirement at age 55 under terms of their employment contract. Through fiscal year 1997, the employees involved were primarily conservation officers, guards at correctional facilities, and highway patrol officers. If these employees elect retirement at age 55, the state will pay the employer share of health insurance benefits until age 65.

The legislature has, from time to time, provided early retirement incentives for other employees meeting specific requirements. The specific circumstances usually require retiring within a certain narrow time frame, whereby the state will pay the employer share of health insurance benefits until age 65. The 1993 and 1995 legislature approved an incentive window from May 17, 1993 through January 30, 1994 and from May 23, 1994 through January 30, 1995 respectively.

The cost of these benefits, which is recognized as paid, was \$3,939,000 during fiscal year 1997. The number of employees currently eligible for this benefit is approximately 1,100.

18. SEGMENT INFORMATION AND CONDENSED BALANCE SHEET

Significant enterprise fund financial data for the year ended June 30, 1997 follows.

Primary Government:

Enterprise Funds' Segment Information
(in thousands)

	State Colleges and Universities <u>Revenue</u>	State Lottery	College & University Enterprise Activities	Minnesota Correctional Industries	Chemical Dependency Treatment	Public Employees' Insurance	Private Employers Insurance	Enterprise Activities	Total
Operating Revenues	\$43,321	\$344,563	\$59,846	\$14,472	\$12,256	\$9,833	\$7,856	\$4,238	\$496,385
Depreciation/Amortization Expense	5,223	688	479	434	41	9	1	170	7,045
Operating Income (Loss)	3,590	60,186	3,101	(4,444)	338	(297)	(67)	249	62,656
Nonoperating Revenues (Expenses):									
Investment Income	2,682	1,829	1,135	145	174	220	58	-	6,243
Grants (Revenue)	-	-	3,728	-	-	-	-	-	3,728
Grants (Expense)	-	-	(3,517)	-	-	-	-	-	(3,517)
Net Operating Transfers-In (-Out)	-	(64,495)	(1,878)	4,999	-	(2,000)	-	-	(63,374)
Net Income (Loss)	4,317	-	2,588	906	512	(2,077)	(9)	247	6,484
Changes in Contributed Capital	(352)	-	-	64	-	-	-	75	(213)
Fixed Assets:									
Additions	-	1,213	1,465	392	33	-	-	73	3,176
Net Working Capital	17,214	1,674	30,428	10,981	5,139	3,483	746	2,576	72,241
Total Assets	119,159	33,735	73,207	14,700	5,625	4,344	1,396	4,779	256,945
Noncurrent Liabilities Payable from:									
Operating Revenues	-	2,335	-	-	-	-	-	-	2,335
Other Sources	-	544	-	-	-	-	2,075	-	2,619
Total Fund Equity	\$81,918	\$ -	\$65,770	\$12,195	\$4,640	\$3,491	(\$1,334)	\$3,217	\$169,897

Listed below are the discretely presented component units:

Component Units - Governmental Funds

Metropolitan Council (MC)
Minnesota Technology (MTI)
Higher Education Services Office (HESO)
Export Finance Authority (EFA)
Agricultural and Economic Development Board (AEDB)
Rural Finance Authority (RFA)

Component Units - Proprietary Funds

Housing Finance (HFA)
 Public Facilities Authority (PFA)
 Metropolitan Council Proprietary (MC)
 Workers Compensation Assigned Risk Plan (WCARP)
 National Sports Center Foundation (NSCF)
 Higher Education Services Office (HESO)

Other Component Units

University of Minnesota

Significant component unit financial data for the year ended June 30, 1997 follows.

Component Units:

Condensed Statements - Governmental Funds
 (in thousands)

	<u>MC*</u>	<u>MTI</u>	<u>HESO</u>	<u>EFA</u>	<u>AEDB</u>	<u>RFA</u>	<u>Totals</u>
Balance Sheet:							
Current Assets	\$ 58,894	\$12,070	\$13,725	\$955	\$12,320	\$9,023	\$106,987
Non-Current Assets	158,210	6,379	-	-	42,250	43,647	250,486
Due from Other Governmental Units	9,736	-	-	-	-	-	9,736
Due from Primary Government	-	-	18	-	-	-	18
Fixed Assets	11,777	808	354	-	-	-	12,939
Amount Available for Debt Service	36,012	-	-	-	-	-	36,012
Amount to be Provided for Debt Service	<u>88,204</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,446</u>	<u>—</u>	<u>121,650</u>
Total Assets and Other Debits	<u>\$362,833</u>	<u>\$19,257</u>	<u>\$14,097</u>	<u>\$955</u>	<u>\$88,016</u>	<u>\$52,670</u>	<u>\$537,828</u>
Current Liabilities	\$38,908	\$650	\$2,107	\$ -	\$1,010	\$ -	\$42,675
Payables to Other Governmental Units	1,861	-	-	-	-	-	1,861
Due to Primary Government	-	-	11,071	-	-	4,544	15,615
Long-Term Liabilities	<u>190,254</u>	<u>—</u>	<u>229</u>	<u>—</u>	<u>33,446</u>	<u>—</u>	<u>223,929</u>
Total Liabilities	<u>\$231,023</u>	<u>\$650</u>	<u>\$13,407</u>	<u>\$ -</u>	<u>\$34,456</u>	<u>\$4,544</u>	<u>\$284,080</u>
Total Equity	\$131,810	\$18,607	\$690	\$955	\$53,560	\$48,126	\$253,748
Operating Statement:							
Revenues	\$139,599	\$5,390	\$6,286	\$53	\$4,126	\$2,840	\$158,294
Current Expenditures	(96,462)	(9,949)	(9,494)	(16)	(46)	(2)	(115,969)
Capital Outlay	(1,497)	-	-	-	-	-	(1,497)
Debt Service	(27,477)	-	-	-	(13,209)	-	(40,686)
Grants & Subsidies	<u>—</u>	<u>(1,482)</u>	<u>(109,263)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(110,745)</u>
Excess of Revenues Over Expenditures	<u>\$14,163</u>	<u>(\$6,041)</u>	<u>(\$112,471)</u>	<u>\$37</u>	<u>(\$9,129)</u>	<u>\$2,838</u>	<u>(\$110,603)</u>
Bond Proceeds	19,442	-	-	-	5,665	4,500	29,607
Transfers-In from Primary Government	57,995	7,587	109,272	-	-	-	174,854
Other Financing Sources (Uses)	<u>(65,170)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,233)</u>	<u>(70,403)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$26,430	\$1,546	(\$3,199)	\$37	(\$3,464)	\$2,105	\$23,455

* December 31 year end

Condensed Statements - Proprietary Funds
(in thousands)

	<u>HFA</u>	<u>PFA</u>	<u>MC*</u>	<u>WCARP*</u>	<u>NSCF*</u>	<u>HESO</u>	<u>Totals</u>
Balance Sheet:							
Current Assets	\$345,671	\$ -	\$42,447	\$279,125	\$171	\$ 18,631	\$ 686,045
Non-Current Assets	2,065,230	-	51,938	546,573	29	269,599	2,933,369
Due from Other Governmental Units	-	-	127	-	-	-	127
Restricted Assets	275,769	677,933	219,050	-	-	25,708	1,198,460
Fixed Assets	<u>1,204</u>	<u>16</u>	<u>1,140,176</u>	<u>-</u>	<u>388</u>	<u>58</u>	<u>1,141,842</u>
Total Assets	<u>\$2,687,874</u>	<u>\$677,949</u>	<u>\$1,453,738</u>	<u>\$825,698</u>	<u>\$588</u>	<u>\$313,996</u>	<u>\$5,959,843</u>
Current Liabilities	\$6,844	\$34,683	\$70,350	\$589,179	\$221	\$340	\$701,617
Due to Primary Government	-	-	-	5,872	-	99	5,916
Long-Term Liabilities	<u>2,163,813</u>	<u>373,960</u>	<u>716,897</u>	<u>-</u>	<u>252</u>	<u>75,502</u>	<u>3,330,424</u>
Total Liabilities	<u>\$2,170,657</u>	<u>\$408,643</u>	<u>\$787,247</u>	<u>\$595,051</u>	<u>\$473</u>	<u>\$75,842</u>	<u>\$4,037,913</u>
Total Equity	\$517,217	\$269,306	\$666,491	\$230,647	\$115	\$238,154	\$1,921,930
Operating Statement:							
Revenues	\$177,731	\$29,952	\$222,338	\$75,220	\$3,078	\$11,125	\$519,444
Operating Expenditures	<u>(152,836)</u>	<u>(23,863)</u>	<u>(292,366)</u>	<u>(2,361)</u>	<u>(3,192)</u>	<u>(7,557)</u>	<u>(482,175)</u>
Operating Income (Loss)	\$24,895	\$6,089	(\$70,028)	\$72,859	(\$114)	\$3,568	\$37,269
Nonoperating Revenues (Expenses)	(25,806)	-	(18,222)	40,437	185	8,788	5,382
Transfer-in from Primary Government	17,882	-	-	-	-	-	17,882
Other sources	-	-	96,484	-	-	-	96,484
Inc/Dec in Retained Earnings	<u>\$16,971</u>	<u>\$6,089</u>	<u>\$8,234</u>	<u>\$113,296</u>	<u>\$71</u>	<u>\$12,356</u>	<u>\$157,017</u>
Changes in Contributed Capital	\$ -	\$28,893	(\$15,185)	\$ -	\$ -	\$ -	\$13,708

* December 31 year end

Component Unit Condensed Balance Sheet
University Fund
(in thousands)

	<u>U OF M</u>
Current Assets	\$ 665,807
Non-Current Assets	739,024
Due from Primary Government	83,758
Fixed Assets	1,114,284
Restricted Assets	<u>30,366</u>
Total Assets	\$2,633,239
Current Liabilities	\$243,753
Bonds and Other Long-Term Liabilities	<u>374,142</u>
Total Liabilities	<u>\$617,895</u>
Total Equity	\$2,015,344

Investments are no longer included in the current asset calculation, they are represented within non-current assets.

19. DEFERRED COMPENSATION

The state offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement Association. Investments are managed by the State Board of Investment and two insurance companies. The plan is accounted for in the Deferred Compensation Fund, an agency fund, with its investments reported at market value.

Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts deferred under the plan, all assets purchased with such deferrals, related income, property or

rights, remain (until made available to the employee or beneficiary) solely the property and rights of the employer (the state or local unit of government), subject only to the general creditors of the employer.

In accordance with state statute, the state is not liable for any losses under the plan but does have the duty of due care that would be required of a prudent investor. The state believes that it is unlikely that it or other employers under the plan will use the assets to satisfy the claims of general creditors in the future.

Of the \$1.6 billion of total assets at June 30, 1997, \$393 million of equity in pension investment trust funds and \$42 million of cash and cash equivalents was applicable to the fund and managed for state employees by the State Board of Investment (SBI). At June 30, 1997 \$1.1 billion of investments at market was managed by third party administrators. Of the investments at market, \$461 million was applicable to the state while the remainder represents the assets of the other units of government participating in the plan.

BUDGETARY BASIS VS GAAP

Actual revenues, transfers-in, expenditures, encumbrances and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds. This inequality results primarily from differences in the recognition of accruals, reimbursements, deferred revenue, intrafund and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered, while on the modified accrual basis expenditures are recognized when goods or services are received, regardless of the year encumbered. A reconciliation of the fund balances under the two bases for the general and special revenue funds is provided in the table below.

A major difference between GAAP and budgetary fund balances for special revenue funds is an entity difference for those funds which do not require legal appropriations. A reconciliation of this entity difference is presented here (in thousands). Other differences in basis of accounting and perspective (fund structure) are included in the following table:

Total GAAP Basis Fund Balances -	
All Special Revenue Funds	\$1,103,097
Special Revenue Funds not requiring	
Legal appropriation	<u>(383,322)</u>
Total GAAP Fund Balances -	
Appropriated Special Revenue Funds	\$ 719,775

Reconciliation of GAAP Basis Fund Balances to Budgetary Basis Fund Balances

June 30, 1997

(in thousands)

	Special Revenue Funds								
	General Fund	Trunk Highway	Highway User Tax Distribution	State Airport	Environmental	Solid Waste	Natural Resources	Health Care Access	Total Special Revenue
GAAP Basis Fund Balances	\$1,485,791	\$329,940	\$4,088	\$22,843	\$13,954	\$29,265	\$34,306	\$285,379	\$719,775
Less Reserved Fund Balances	713,043	119,984	437	10,805	2,923	-	9,527	6,598	150,274
Less Designated Fund Balances	<u>130,404</u>	<u>17,648</u>		<u>2,400</u>	<u>8,038</u>		<u>4,700</u>	<u>150</u>	<u>32,936</u>
Undesignated Fund Balances	\$642,344	\$192,308	\$3,651	\$9,638	\$2,993	\$29,265	\$20,079	\$278,631	\$536,565
Basis of Accounting Differences									
Revenue Accruals/Adjustments:									
Taxes Receivable	(367,870)	-	(628)	-	-	-	-	(29,729)	(30,357)
Human Services Receivable	(12,872)	-	-	-	-	-	-	-	-
Federal Aid Receivable	-	1,385	-	-	-	-	-	-	1,385
Refunds Payable	2,240	-	-	-	-	-	-	-	-
Deferred Revenue	85,861	(94)	-	-	-	-	-	-	(94)
Other Receivables	487	-	-	-	-	-	(6,809)	-	(6,809)
Expenditure Accruals/Adjustments:									
Family Support, Medical Assist., &	199,528	-	-	-	-	-	-	-	-
Police and Fire Aid	59,626	-	-	-	-	-	-	-	-
Community Service Grants	13,134	-	-	-	-	-	-	-	-
Education Aids	173,326	-	-	-	-	-	-	-	-
Other Payables	16,364	3	390	632	(345)	(122)	93	2,105	2,756
Other Financial Sources (Uses):									
Transfers-In	(4,348)	(27,999)	-	-	-	-	64	-	(27,935)
Transfers-Out	-	-	-	-	-	-	(219)	-	(219)
Reserved Fund Balances:									
Long-Term Receivables	-	-	-	2,895	-	-	-	-	2,895
Fund Structure Differences									
Terminally Funded Pension Plan	6,912	-	-	-	-	-	-	-	-
Cambridge Bank Fund Consolidation	(1,878)	-	-	-	-	-	-	-	-
Other	<u>(146)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Budgetary Basis:									
Undesignated Fund Balances	\$812,708	\$165,603	\$3,413	\$13,165	\$2,648	\$29,143	\$13,208	\$251,007	\$478,187

21. SUBSEQUENT EVENTS

Primary Government

On July 29, 1997, \$215,000,000 of general obligation various purpose bonds were sold at a true interest rate of 4.78 percent. The bonds were issued to finance the cost of capital improvements and are backed by the full faith and credit and taxing powers of the state of Minnesota.

On July 30, 1997, \$11,000,000 of general obligation taxable various purpose bonds were sold at a true interest rate of 6.36 percent. The bonds were issued to finance the cost of capital improvements and are backed by the full faith and credit and taxing powers of the state of Minnesota.

As required by the constitution and statutes, transfers from the funds presented below (in thousands) were made on November 25, 1997 to the separately invested Debt Service Fund to cover principal and interest maturing through July 1, 1999.

General	\$237,609
Natural Resources	53
Trunk Highway	5,626
Maximum Effort School Loan	1,882
Colleges and Universities	<u>11,785</u>
Total Transfers to Debt Service	\$256,955

The 1997 legislature established a reserve account for property tax reform in the General Fund and appropriated \$46 million to that account. Additional funds may be reserved for property tax reform based upon the economic forecast of the General Fund prepared each odd numbered year. Based upon

the December 1997 forecast, an additional \$191.7 million will be added to the balance in the reserve account on December 1, 1997, and March 31 and September 30, 1998 and March 31, 1999.

Component Units

On May 1, 1997, \$32,100,000 of general obligation refunding bonds with varying interest rates of 4.52 to 5.19 were issued by the Metropolitan Council (governmental component) which has a December 31 year end.

On August 22, 1997, the governor signed a flood relief bill passed by the state legislature during the 1997 Second Special Session. The bill included an additional appropriation of \$8,500,000 for the Housing Finance Authority (proprietary component).

Minnesota's Workers' Compensation Assigned Risk Fund is expecting an estimated \$31,000,000 refund from Workers' Compensation Reinsurance Association surplus funds unaffected by pending litigation.

SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for the specific purposes as described below.

The *Trunk Highway Fund* is supported by revenues from the Highway User Tax Distribution Fund and federal grants to provide planning, design, construction and maintenance of the state trunk highway system.

The *Highway User Tax Distribution Fund* receives revenue from taxes on motor vehicles and motor fuels for transfer to various transportation related funds.

The *State Airports Fund* uses revenue from aviation related taxes and fees to provide technical and financial assistance to municipal airports and to promote aviation safety, planning and regulation.

The *Federal Fund* receives and disburses federal government grants and reimbursements. The fund is administered in accordance with grant agreements between the state and federal agencies.

The *Environmental Fund* accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems.

The *Petroleum Tank Cleanup Fund* receives funding from a fee imposed on petroleum distributors for the purpose of reimbursing responsible parties for most of their costs to cleanup environmental contamination from petroleum tanks.

The *Solid Waste Fund* receives funding from a fee imposed on solid waste haulers for the purpose of cleanup of closed municipal landfills.

The *Natural Resources Funds* include three funds created for the purposes of preserving and improving the state's natural resources.

Minnesota Resources Fund receives a portion of the cigarette and tobacco taxes which are appropriated for various natural resource development purposes.

The Natural Resources Fund receives taxes from fuel used in recreational vehicles, fees and donations which are used to fund management of the related natural resource programs.

Game and Fish Fund receives revenues from license fees and fines related to hunting and fishing which are spent for related purposes.

The *Maximum Effort School Loan Fund* receives bond proceeds and reimbursements from school districts to help finance school district construction projects.

The *Special Compensation Fund* receives assessments on all insurers for administration of the state workers compensation program, including enforcement, for reimbursement of certain supplemental benefits, and for payment of claims to employees of uninsured and bankrupt firms.

The *Health Care Access Fund* receives taxes on health service providers and premiums for programs which will help contain the costs of health care, make reforms in health insurance, and provide competitive priced insurance for people unable to obtain affordable coverage.

The *Iron Range Resources and Rehabilitation Fund* receives revenues from taconite taxes which are used to promote economic development in northeastern Minnesota.

The *Miscellaneous Special Revenue Fund* includes numerous smaller accounts whose revenues are dedicated to a variety of specific purposes.

STATE OF MINNESOTA

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	FEDERAL	ENVIRONMENTAL	PETROLEUM TANK CLEANUP	SOLID WASTE	NATURAL RESOURCES	MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	IRON RANGE RESOURCES AND REHABILITATION	MISCELLANEOUS SPECIAL REVENUE	TOTALS JUNE 30, 1997
ASSETS														
Cash and Cash Equivalents	\$ 318,562	\$ 8,765	\$ 21,152	\$ 202	\$ 22,490	\$ 25,205	\$ 27,998	\$ 27,665	\$ 2,129	\$ 77,903	\$ 237,441	\$ 53,345	\$ 223,302	\$ 1,046,159
Accounts Receivable	2,614	58,156	305	29,606	491	22	2,913	5,755	-	4,430	35,746	1,228	20,195	161,461
Interfund Receivables	33,302	-	-	-	-	-	-	8,407	-	-	14,902	1,134	8,672	66,417
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	17	17
Accrued Investment/Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	12	12
Federal Aid Receivable	32,492	-	-	326,550	-	-	-	1,352	-	-	-	-	-	360,394
Inventories	14,569	-	-	-	-	-	-	-	-	-	-	-	14,569	-
Food Stamps	-	-	-	39,401	-	-	-	-	-	-	-	-	-	39,401
Loans Receivable	-	-	2,895	4,307	218	-	-	-	44,120	-	189	6,700	34,407	92,836
Advances to Other Funds	-	-	-	-	-	-	-	-	-	-	2,075	-	-	2,075
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	41	41
Total Assets	\$ 401,539	\$ 66,921	\$ 24,352	\$ 400,066	\$ 23,199	\$ 25,227	\$ 30,911	\$ 43,179	\$ 46,249	\$ 82,333	\$ 290,353	\$ 62,407	\$ 286,646	\$ 1,783,382
LIABILITIES AND FUND BALANCES														
Liabilities														
Accounts Payable	\$ 71,505	\$ 786	\$ 1,509	\$ 275,171	\$ 3,708	\$ 19,614	\$ 1,646	\$ 8,873	\$ -	\$ 59,888	\$ 3,206	\$ 1,174	\$ 35,219	\$ 482,299
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	85	85
Interfund Payables	-	62,047	-	49,157	5,537	-	-	-	-	-	96	366	6,556	123,759
Due to Component Units	-	-	-	18	-	-	-	-	-	-	518	-	-	536
Deferred Revenue	94	-	-	67,402	-	-	-	-	-	3,894	1,154	-	479	73,023
Advances from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Other Liabilities	-	-	-	580	-	-	-	-	-	-	-	-	-	580
Total Liabilities	\$ 71,599	\$ 62,833	\$ 1,509	\$ 392,328	\$ 9,245	\$ 19,614	\$ 1,646	\$ 8,873	\$ -	\$ 63,782	\$ 4,974	\$ 1,540	\$ 42,342	\$ 680,285
Fund Balances														
Reserved Fund Balances														
Reserved for Encumbrances	\$ 49,161	\$ 437	\$ 7,910	\$ -	\$ 2,705	\$ 698	\$ -	\$ 9,527	\$ -	\$ 1,931	\$ 4,334	\$ 19,323	\$ 26,502	\$ 122,528
Reserved for Inventory	14,569	-	-	-	-	-	-	-	-	-	-	-	14,569	-
Reserved for Long-Term Receivables	-	-	2,895	4,307	218	-	-	-	39,707	-	189	6,642	34,407	88,365
Reserved for Long-Term Commitments	56,254	-	-	-	-	-	-	-	-	-	-	-	-	56,254
Reserved for Long-Term Advances	-	-	-	-	-	-	-	-	-	-	2,075	-	-	2,075
Reserved for Other	-	-	-	3,431	-	-	-	-	-	-	-	-	425	903
Total Reserved Fund Balances	\$ 119,984	\$ 437	\$ 10,805	\$ 7,738	\$ 2,923	\$ 698	\$ -	\$ 9,527	\$ 39,707	\$ 1,931	\$ 6,598	\$ 26,390	\$ 61,812	\$ 288,550
Unreserved Fund Balances:														
Designated for Appropriation Carryover	\$ 17,648	\$ -	\$ 2,400	\$ -	\$ 8,038	\$ -	\$ -	\$ 4,700	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ 32,936
Designated for Fund Purposes	-	-	-	-	-	-	-	-	6,542	-	-	34,477	182,492	223,511
Undesignated	192,308	3,651	9,638	-	2,993	4,915	29,265	20,079	-	16,620	278,631	-	-	558,100
Total Unreserved Fund Balances	\$ 209,956	\$ 3,651	\$ 12,038	\$ -	\$ 11,031	\$ 4,915	\$ 29,265	\$ 24,779	\$ 6,542	\$ 16,620	\$ 278,781	\$ 34,477	\$ 182,492	\$ 814,547
Total Fund Balances	\$ 329,940	\$ 4,088	\$ 22,843	\$ 7,738	\$ 13,954	\$ 5,613	\$ 29,265	\$ 34,306	\$ 46,249	\$ 18,551	\$ 285,379	\$ 60,867	\$ 244,304	\$ 1,103,097
Total Liabilities and Fund Balances	\$ 401,539	\$ 66,921	\$ 24,352	\$ 400,066	\$ 23,199	\$ 25,227	\$ 30,911	\$ 43,179	\$ 46,249	\$ 82,333	\$ 290,353	\$ 62,407	\$ 286,646	\$ 1,783,382

STATE OF MINNESOTA

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	FEDERAL	ENVIRONMENTAL	PETROLEUM TANK CLEANUP	SOLID WASTE	NATURAL RESOURCES	MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	IRON RANGE RESOURCES AND REHABILITATION	MISCELLANEOUS SPECIAL REVENUE	TOTALS FOR THE YEAR ENDED JUNE 30, 1997	
Net Revenues															
Motor Vehicle License Taxes	\$ -	\$ 487,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 487,064	
Fuel Taxes	-	539,999	2,897	-	-	-	-	-	-	-	-	-	-	542,896	
Other Taxes	-	-	12,243	-	3,721	-	-	7,526	-	108,113	176,045	26,458	24,131	358,237	
Federal Revenues	234,582	-	-	3,218,437	-	-	-	13,850	-	-	-	-	31,851	3,498,720	
License Fees	30,576	5,445	749	-	18,888	32,292	21,390	46,002	-	-	-	-	72,699	228,141	
Care and Hospitalization Revenues	-	-	-	-	-	-	-	-	-	-	-	-	695	695	
Tuition and Student Fees	-	-	-	-	-	-	-	-	-	-	-	-	12,070	12,070	
Departmental Services	2,139	95	-	-	44	-	-	-	-	-	12,497	1,584	70,451	86,810	
Investment/Interest Income	14,451	1,168	991	171	416	1,398	1,384	1,266	8,370	4,294	-	2,557	6,785	43,251	
Penalties and Fines	6,080	682	-	32	2,794	10	-	-	-	-	-	-	1,891	11,489	
Other Revenues	18,690	31	105	12,422	57	50	1,242	2,266	-	3,002	3,698	1,819	70,112	113,494	
Net Revenues	\$ 306,618	\$ 1,034,484	\$ 16,985	\$ 3,231,062	\$ 25,920	\$ 33,750	\$ 24,016	\$ 70,910	\$ 8,370	\$ 115,409	\$ 192,240	\$ 32,418	\$ 290,685	\$ 5,382,867	
Expenditures															
Current															
Protection of Persons and Property	\$ 71,728	\$ 11,023	\$ -	\$ 28,611	\$ 42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,178	\$ 120,582	
Transportation	392,438	444	6,642	2,313	8	-	-	-	-	-	-	-	716	402,561	
Resource Management	-	-	-	14,526	20,441	27,505	17,848	71,290	-	-	-	-	30,644	182,254	
Economic and Manpower Development	689	-	-	71,004	306	-	-	193	-	23,497	-	-	11,341	36,689	143,719
Education	109	-	-	48,654	-	-	-	-	-	-	-	-	33,657	82,420	
Health and Social Services	919	-	-	126,308	159	-	-	-	-	-	13,973	-	144,495	285,854	
General Government	3,012	1,904	-	2,495	316	73	376	402	-	-	3,738	1,436	-	14,651	28,403
Total Current Expenditures	\$ 468,895	\$ 13,371	\$ 6,642	\$ 293,911	\$ 21,272	\$ 27,578	\$ 18,224	\$ 71,885	\$ -	\$ 27,235	\$ 15,409	\$ 11,341	\$ 270,030	\$ 1,245,793	
Capital Outlay	378,656	-	878	10,179	285	-	491	2,528	-	90	-	-	964	9,728	403,799
Debt Service	5,240	-	-	127	628	-	1	-	-	259	281	-	257	5,370	12,163
Grants and Subsidies	2,642	-	9,695	2,911,465	1,741	-	-	9,842	14,134	91,799	74,509	-	22,681	105,122	3,243,630
Total Expenditures	\$ 855,433	\$ 13,371	\$ 17,215	\$ 3,215,682	\$ 23,926	\$ 27,578	\$ 18,716	\$ 84,255	\$ 14,134	\$ 119,383	\$ 90,199	\$ 35,243	\$ 390,250	\$ 4,905,385	
Excess of Revenues Over (Under) Expenditures	\$ (548,815)	\$ 1,021,113	\$ (230)	\$ 15,380	\$ 1,994	\$ 6,172	\$ 5,300	\$ (13,345)	\$ (5,764)	\$ (3,974)	\$ 102,041	\$ (2,825)	\$ (99,565)	\$ 477,482	
Other Financing Sources (Uses)															
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,650	\$ -	\$ -	\$ -	\$ -	\$ 12,650	
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	4,250	-	4,250
Operating Transfers-In	608,279	11	-	-	-	-	-	11,543	-	-	-	-	10,653	112,598	743,084
Operating Transfers to Debt Service	(7,193)	-	-	-	-	-	-	(112)	(2,353)	-	-	-	-	(1,012)	(10,670)
Other Operating Transfers-Out	-	(1,017,992)	-	(3,645)	(5,517)	-	-	(219)	-	-	(1,350)	-	-	(12,814)	(1,041,537)
Transfers-Out to Component Units	-	-	-	(13,306)	(651)	-	-	(631)	-	-	(2,482)	-	-	(167)	(17,237)
Capital Leases	-	-	-	830	-	-	-	-	-	-	-	-	2,456	-	3,286
Net Other Financing Sources (Uses)	\$ 601,086	\$ (1,017,981)	\$ -	\$ (16,121)	\$ (6,168)	\$ -	\$ -	\$ 10,581	\$ 10,297	\$ -	\$ (3,832)	\$ 14,903	\$ 101,061	\$ (306,174)	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 52,271	\$ 3,132	\$ (230)	\$ (741)	\$ (4,174)	\$ 6,172	\$ 5,300	\$ (2,764)	\$ 4,533	\$ (3,974)	\$ 98,209	\$ 12,078	\$ 1,496	\$ 171,308	
Fund Balances, July 1 as Reported	\$ 277,669	\$ 956	\$ 23,073	\$ 8,512	\$ 18,128	\$ (559)	\$ 23,965	\$ 37,070	\$ 127,996	\$ 25,861	\$ 187,170	\$ 48,789	\$ 243,050	\$ 1,021,680	
Prior Period Adjustments	-	-	-	-	-	-	-	-	(86,272)	(3,336)	-	-	-	(89,608)	
Fund Balances, July 1 as Restated	\$ 277,669	\$ 956	\$ 23,073	\$ 8,512	\$ 18,128	\$ (559)	\$ 23,965	\$ 37,070	\$ 41,724	\$ 22,525	\$ 187,170	\$ 48,789	\$ 243,050	\$ 932,072	
Residual Equity Transfers-Out	-	-	-	(33)	-	-	-	-	(8)	-	-	-	(42)	(83)	
Change in Inventory	-	-	-	-	-	-	-	-	-	-	-	-	(200)	(200)	
Fund Balances, June 30	\$ 329,940	\$ 4,088	\$ 22,843	\$ 7,738	\$ 13,954	\$ 5,613	\$ 29,265	\$ 34,306	\$ 46,249	\$ 18,551	\$ 285,379	\$ 60,867	\$ 244,304	\$ 1,103,097	

STATE OF MINNESOTA

APPROPRIATED SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 BUDGETARY BASIS
 YEAR ENDED JUNE 30, 1997
 (IN THOUSANDS)

	TRUNK HIGHWAY			HIGHWAY USER TAX DISTRIBUTION		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Net Revenues:						
Motor Vehicle License Taxes	\$ -	\$ -	\$ -	\$ 476,871	\$ 486,255	\$ 9,384
Fuel Taxes	-	-	-	547,534	537,747	(9,787)
Other Taxes.....	-	-	-	-	-	-
Federal Revenues.....	233,213	292,392	59,179	-	-	-
License Fees.....	-	-	-	-	-	-
Departmental Services.....	45,717	32,399	(13,318)	5,075	5,540	465
Investment/Interest Income.....	10,350	14,125	3,775	1,380	1,168	(212)
Other Revenues.....	27,058	24,938	(2,120)	823	713	(110)
Net Revenues	\$ 316,338	\$ 363,854	\$ 47,516	\$ 1,031,683	\$ 1,031,423	\$ (260)
Expenditures.						
Protection of Persons and Property	\$ 74,981	\$ 73,487	\$ 1,494	\$ 10,839	\$ 10,794	\$ 45
Transportation	885,646	878,417	7,229	441	441	-
Resource Management	-	-	-	-	-	-
Economic and Manpower Development.....	689	689	-	-	-	-
Education.....	28	21	7	-	-	-
Health and Social Services.....	1,542	1,539	3	-	-	-
General Government	170	170	-	2,127	1,922	205
Total Expenditures	\$ 963,056	\$ 954,323	\$ 8,733	\$ 13,407	\$ 13,157	\$ 250
Excess of Revenues Over (Under) Expenditures	\$ (646,718)	\$ (590,469)	\$ 56,249	\$ 1,018,276	\$ 1,018,266	\$ (10)
Other Financing Sources (Uses):						
Operating Transfers-In	\$ 596,943	\$ 608,279	\$ 11,336	\$ -	\$ 11	\$ 11
Operating Transfers to Debt Service.....	(7,641)	(7,193)	448	-	-	-
Other Operating Transfers-Out.....	-	-	-	(1,017,568)	(1,017,568)	-
Transfers-Out to Component Units	-	-	-	-	-	-
Net Other Financing Sources (Uses).....	\$ 589,302	\$ 601,086	\$ 11,784	\$ (1,017,568)	\$ (1,017,557)	\$ 11
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.	\$ (57,416)	\$ 10,617	\$ 68,033	\$ 708	\$ 709	\$ 1
Fund Balances, July 1, 1996 as Reported	165,993	165,993	-	2,702	2,702	-
Prior Period Adjustments.....	6,641	6,641	-	2	2	-
Total Fund Balances, June 30, 1997.....	\$ 115,218	\$ 183,251	\$ 68,033	\$ 3,412	\$ 3,413	\$ 1
Less Appropriation Carryover.....	-	17,648	(17,648)	-	-	-
Less Reserve for Other.....	-	-	-	-	-	-
Undesignated Fund Balances, June 30, 1997.....	\$ 115,218	\$ 165,603	\$ 50,385	\$ 3,412	\$ 3,413	\$ 1

	STATE AIRPORTS			ENVIRONMENTAL			NATURAL RESOURCES					
	BUDGET	ACTUAL	VARIANCE		BUDGET	ACTUAL	VARIANCE		BUDGET	ACTUAL	VARIANCE	
			FAVORABLE	(UNFAVORABLE)			FAVORABLE	(UNFAVORABLE)			FAVORABLE	(UNFAVORABLE)
Net Revenues:												
Motor Vehicle License Taxes.....	\$ -	\$ -	\$ -	\$ 64	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	3,154	3,218	64									
Other Taxes.....	11,514	12,243	729		2,689	3,723	1,034		7,392	7,527	135	
Federal Revenues.....	-	-	-		-	-	-		13,800	13,844	44	
License Fees.....	-	-	-		18,656	18,993	337		45,838	45,517	(321)	
Departmental Services.....	966	792	(174)		-	93	93		-	420	420	
Investment/Interest Income.....	1,033	993	(40)		280	412	132		1,345	1,267	(78)	
Other Revenues.....	1,010	105	(905)		3,958	2,887	(1,071)		1,551	2,145	594	
Net Revenues.....	<u>\$ 17,677</u>	<u>\$ 17,351</u>	<u>\$ (326)</u>		<u>\$ 25,583</u>	<u>\$ 26,108</u>	<u>\$ 525</u>		<u>\$ 69,926</u>	<u>\$ 70,720</u>	<u>\$ 794</u>	
Expenditures:												
Protection of Persons and Property.....	\$ -	\$ -	\$ -		\$ 42	\$ 42	\$ -		\$ -	\$ -	\$ -	
Transportation.....	17,324	15,194	2,130		357	357	-		-	-	-	
Resource Management.....	-	-	-		24,390	23,950	440		87,242	84,881	2,361	
Economic and Manpower Development.....	-	-	-		305	305	-		211	125	86	
Education.....	-	-	-		-	-	-		1,172	1,052	120	
Health and Social Services.....	-	-	-		193	162	31		-	-	-	
General Government	111	-	111		319	319	-		554	554	-	
Total Expenditures	<u>\$ 17,435</u>	<u>\$ 15,194</u>	<u>\$ 2,241</u>		<u>\$ 25,606</u>	<u>\$ 25,135</u>	<u>\$ 471</u>		<u>\$ 89,179</u>	<u>\$ 86,612</u>	<u>\$ 2,567</u>	
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 242</u>	<u>\$ 2,157</u>	<u>\$ 1,915</u>		<u>\$ (23)</u>	<u>\$ 973</u>	<u>\$ 996</u>		<u>\$ (19,253)</u>	<u>\$ (15,892)</u>	<u>\$ 3,361</u>	
Other Financing Sources (Uses):												
Operating Transfers-In.....	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ 10,762	\$ 11,479	\$ 717	
Operating Transfers to Debt Service.....	-	-	-		-	-	-		(112)	(112)	-	
Other Operating Transfers-Out.....	-	-	-		(5,517)	(5,517)	-		-	-	-	
Transfers-Out to Component Units.....	-	-	-		(651)	(651)	-		(631)	(631)	-	
Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (6,168)</u>	<u>\$ (6,168)</u>	<u>\$ -</u>		<u>\$ 10,019</u>	<u>\$ 10,736</u>	<u>\$ 717</u>	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	<u>\$ 242</u>	<u>\$ 2,157</u>	<u>\$ 1,915</u>		<u>\$ (6,191)</u>	<u>\$ (5,195)</u>	<u>\$ 996</u>		<u>\$ (9,234)</u>	<u>\$ (5,156)</u>	<u>\$ 4,078</u>	
Fund Balances, July 1, 1996 as Reported.....	12,445	12,445	-		14,173	14,173	-		22,556	22,556	-	
Prior Period Adjustments.....	-	963	963		-	1,708	1,708		339	508	169	
Total Fund Balances, June 30, 1997.....	<u>\$ 12,687</u>	<u>\$ 15,565</u>	<u>\$ 2,878</u>		<u>\$ 7,982</u>	<u>\$ 10,686</u>	<u>\$ 2,704</u>		<u>\$ 13,661</u>	<u>\$ 17,908</u>	<u>\$ 4,247</u>	
Less Appropriation Carryover.....	-	2,400	(2,400)		7,982	8,038	(56)		9,819	4,700	5,119	
Less Reserve for Other.....	-	-	-		-	-	-		-	-	-	
Undesignated Fund Balances, June 30, 1997.....	<u>\$ 12,687</u>	<u>\$ 13,165</u>	<u>\$ 478</u>		<u>\$ -</u>	<u>\$ 2,648</u>	<u>\$ 2,648</u>		<u>\$ 3,842</u>	<u>\$ 13,208</u>	<u>\$ 9,366</u>	

	SOLID WASTE			HEALTH CARE ACCESS			COMBINED TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Net Revenues:									
Motor Vehicle License Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 476,871	\$ 486,255	\$ 9,384
Fuel Taxes.....	-	-	-	-	-	-	550,688	540,965	(9,723)
Other Taxes.....	-	-	-	171,091	173,767	2,676	192,686	197,260	4,574
Federal Revenues.....	20,089	21,390	1,301	-	-	-	247,013	306,236	59,223
License Fees.....	-	-	-	-	-	-	84,583	85,900	1,317
Departmental Services	1,200	1,383	183	19,050	11,496	(7,554)	70,808	50,740	(20,068)
Investment/Interest Income	4,650	1,242	(3,408)	3,000	5,876	2,876	15,588	19,348	3,760
Other Revenues	-	-	-	-	-	-	42,050	37,906	(4,144)
Net Revenues.....	<u>\$ 25,939</u>	<u>\$ 24,015</u>	<u>\$ (1,924)</u>	<u>\$ 193,141</u>	<u>\$ 191,139</u>	<u>\$ (2,002)</u>	<u>\$ 1,680,287</u>	<u>\$ 1,724,610</u>	<u>\$ 44,323</u>
Expenditures:									
Protection of Persons and Property.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,862	\$ 84,323	\$ 1,539
Transportation	-	-	-	-	-	-	903,768	894,409	9,359
Resource Management	26,339	18,342	7,997	-	-	-	137,971	127,173	10,798
Economic and Manpower Development.....	-	-	-	-	-	-	1,205	1,119	86
Education	-	-	-	-	-	-	1,200	1,073	127
Health and Social Services	-	-	-	158,663	96,080	62,583	160,398	97,781	62,617
General Government	488	431	57	2,147	1,713	434	5,916	5,109	807
Total Expenditures	<u>\$ 26,827</u>	<u>\$ 18,773</u>	<u>\$ 8,054</u>	<u>\$ 160,810</u>	<u>\$ 97,793</u>	<u>\$ 63,017</u>	<u>\$ 1,296,320</u>	<u>\$ 1,210,987</u>	<u>\$ 85,333</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (888)</u>	<u>\$ 5,242</u>	<u>\$ 6,130</u>	<u>\$ 32,331</u>	<u>\$ 93,346</u>	<u>\$ 61,015</u>	<u>\$ 383,967</u>	<u>\$ 513,623</u>	<u>\$ 129,656</u>
Other Financing Sources (Uses):									
Operating Transfers-In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 607,705	\$ 619,769	\$ 12,064
Operating Transfers to Debt Service.....	-	-	-	-	-	-	(7,753)	(7,305)	448
Other Operating Transfers-Out.....	(138)	-	138	(1,350)	(1,350)	-	(1,024,573)	(1,024,435)	138
Transfers-Out to Component Units.....	-	-	-	(2,582)	(2,482)	100	(3,864)	(3,764)	100
Net Other Financing Sources (Uses).....	<u>\$ (138)</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ (3,932)</u>	<u>\$ (3,832)</u>	<u>\$ 100</u>	<u>\$ (428,485)</u>	<u>\$ (415,735)</u>	<u>\$ 12,750</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	<u>\$ (1,026)</u>	<u>\$ 5,242</u>	<u>\$ 6,268</u>	<u>\$ 28,399</u>	<u>\$ 89,514</u>	<u>\$ 61,115</u>	<u>\$ (44,518)</u>	<u>\$ 97,888</u>	<u>\$ 142,406</u>
Fund Balances, July 1, 1996 as Reported.....	23,254	23,254	-	161,310	161,310	-	402,433	402,433	-
Prior Period Adjustments	-	647	647	-	416	416	6,982	10,885	3,903
Total Fund Balances, June 30, 1997.....	<u>\$ 22,228</u>	<u>\$ 29,143</u>	<u>\$ 6,915</u>	<u>\$ 189,709</u>	<u>\$ 251,240</u>	<u>\$ 61,531</u>	<u>\$ 364,897</u>	<u>\$ 511,206</u>	<u>\$ 146,309</u>
Less Appropriation Carryover.....	-	-	-	-	150	(150)	17,801	32,936	(15,135)
Less Reserve for Other.....	-	-	-	10,312	83	10,229	10,312	83	10,229
Undesignated Fund Balances, June 30, 1997.....	<u>\$ 22,228</u>	<u>\$ 29,143</u>	<u>\$ 6,915</u>	<u>\$ 179,397</u>	<u>\$ 251,007</u>	<u>\$ 71,610</u>	<u>\$ 336,784</u>	<u>\$ 478,187</u>	<u>\$ 141,403</u>

STATE OF MINNESOTA**NATURAL RESOURCES FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997
(IN THOUSANDS)**

	<u>MINNESOTA RESOURCES</u>	<u>NATURAL RESOURCES</u>	<u>GAME AND FISH</u>	<u>TOTALS JUNE 30, 1997</u>
ASSETS				
Cash and Cash Equivalents.....	\$ 6,322	\$ 8,327	\$ 13,016	\$ 27,665
Accounts Receivable.....	1,161	395	4,199	5,755
Interfund Receivables.....	-	8,407	-	8,407
Federal Aid Receivable.....	-	-	1,352	1,352
Total Assets.....	\$ 7,483	\$ 17,129	\$ 18,567	\$ 43,179
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 1,888	\$ 2,348	\$ 4,637	\$ 8,873
Total Liabilities.....	\$ 1,888	\$ 2,348	\$ 4,637	\$ 8,873
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 4,183	\$ 2,543	\$ 2,801	\$ 9,527
Total Reserved Fund Balances.....	\$ 4,183	\$ 2,543	\$ 2,801	\$ 9,527
Unreserved Fund Balances:				
Designated for Appropriation Carryover.....	\$ 1,331	\$ 2,170	\$ 1,199	\$ 4,700
Undesignated.....	81	10,068	9,930	20,079
Total Unreserved Fund Balances.....	\$ 1,412	\$ 12,238	\$ 11,129	\$ 24,779
Total Fund Balances.....	\$ 5,595	\$ 14,781	\$ 13,930	\$ 34,306
Total Liabilities and Fund Balances.....	\$ 7,483	\$ 17,129	\$ 18,567	\$ 43,179

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for the Fiscal Year Ended
June 30, 1996

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Linda K. Savitsky
President

Jeffrey L. East
Executive Director

STATE OF MINNESOTA

NATURAL RESOURCES FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Net Revenues:				
Tobacco Taxes.....	\$ 7,526	\$ -	\$ -	\$ 7,526
Federal Revenues.....	-	-	13,850	13,850
License Fees.....	-	8,011	37,991	46,002
Investment Income.....	363	207	696	1,266
Other Revenues.....	-	1,595	671	2,266
Net Revenues.....	\$ 7,889	\$ 9,813	\$ 53,208	\$ 70,910
Expenditures:				
Current:				
Resource Management.....	\$ 1,993	\$ 16,422	\$ 52,875	\$ 71,290
Economic and Manpower Development.....	193	-	-	193
General Government.....	402	-	-	402
Total Current Expenditures.....	\$ 2,588	\$ 16,422	\$ 52,875	\$ 71,885
Capital Outlay.....	381	486	1,661	2,528
Grants and Subsidies.....	4,743	4,653	446	9,842
Total Expenditures.....	\$ 7,712	\$ 21,561	\$ 54,982	\$ 84,255
Excess of Revenues Over (Under) Expenditures.....	\$ 177	\$ (11,748)	\$ (1,774)	\$ (13,345)
Other Financing Sources (Uses):				
Operating Transfers-In.....	\$ -	\$ 11,543	\$ -	\$ 11,543
Operating Transfers to Debt Service Fund.....	-	(53)	(59)	(112)
Other Operating Transfers-Out.....	-	(219)	-	(219)
Transfer-Out Component Unit.....	(631)	-	-	(631)
Net Other Financing Sources (Uses).....	\$ (631)	\$ 11,271	\$ (59)	\$ 10,581
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	\$ (454)	\$ (477)	\$ (1,833)	\$ (2,764)
Fund Balances, July 1.....	6,049	15,258	15,763	37,070
Fund Balances, June 30.....	\$ 5,595	\$ 14,781	\$ 13,930	\$ 34,306

STATE OF MINNESOTA

NATURAL RESOURCES FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	MINNESOTA RESOURCES			NATURAL RESOURCES			GAME AND FISH			COMBINED TOTALS		
			VARIANCE			VARIANCE			VARIANCE			VARIANCE
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
Net Revenues:												
Tobacco Taxes.....	\$ 7,392	\$ 7,527	\$ 135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,392	\$ 7,527	\$ 135
Federal Revenues.....	-	-	-	-	-	-	13,800	13,844	44	13,800	13,844	44
License Fees.....	-	-	-	8,216	8,026	(190)	37,622	37,491	(131)	45,838	45,517	(321)
Departmental Services.....	-	-	-	-	420	420	-	-	-	-	420	420
Investment Income.....	395	364	(31)	219	207	(12)	731	696	(35)	1,345	1,267	(78)
Other Revenues.....	-	-	-	945	1,402	457	606	743	137	1,551	2,145	594
Net Revenues.....	\$ 7,787	\$ 7,891	\$ 104	\$ 9,380	\$ 10,055	\$ 675	\$ 52,759	\$ 52,774	\$ 15	\$ 69,926	\$ 70,720	\$ 794
Expenditures:												
Resource Management.....	\$ 7,414	\$ 7,129	\$ 285	\$ 23,517	\$ 22,005	\$ 1,512	\$ 56,311	\$ 55,747	\$ 564	\$ 87,242	\$ 84,881	\$ 2,361
Economic and Manpower Development.....	211	125	86	-	-	-	-	-	-	211	125	86
Education.....	1,172	1,052	120	-	-	-	-	-	-	1,172	1,052	120
General Government.....	554	554	-	-	-	-	-	-	-	554	554	-
Total Expenditures.....	\$ 9,351	\$ 8,860	\$ 491	\$ 23,517	\$ 22,005	\$ 1,512	\$ 56,311	\$ 55,747	\$ 564	\$ 89,179	\$ 86,612	\$ 2,567
Excess of Revenues Over (Under) Expenditures	\$ (1,564)	\$ (969)	\$ 595	\$ (14,137)	\$ (11,950)	\$ 2,187	\$ (3,552)	\$ (2,973)	\$ 579	\$ (19,253)	\$ (15,892)	\$ 3,361
Other Financing Sources (Uses):												
Operating Transfers-In.....	\$ -	\$ -	\$ -	\$ 10,762	\$ 11,479	\$ 717	\$ -	\$ -	\$ -	\$ 10,762	\$ 11,479	\$ 717
Operating Transfers to Debt Service.....	-	-	-	(53)	(53)	-	(59)	(59)	-	(112)	(112)	-
Transfers-Out to Component Units.....	(631)	(631)	-	-	-	-	-	-	-	(631)	(631)	-
Net Other Financing Sources (Uses).....	\$ (631)	\$ (631)	\$ -	\$ 10,709	\$ 11,426	\$ 717	\$ (59)	\$ (59)	\$ -	\$ 10,019	\$ 10,736	\$ 717
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	\$ (2,195)	\$ (1,600)	\$ 595	\$ (3,428)	\$ (524)	\$ 2,904	\$ (3,611)	\$ (3,032)	\$ 579	\$ (9,234)	\$ (5,156)	\$ 4,078
Fund Balances, July 1, 1996, as Reported.....	2,472	2,472	-	10,205	10,205	-	9,879	9,879	-	22,556	22,556	-
Prior Period Adjustments.....	365	459	94	(26)	(125)	(99)	-	174	174	339	508	169
Fund Balances, June 30, 1997.....	\$ 642	\$ 1,331	\$ 689	\$ 6,751	\$ 9,556	\$ 2,805	\$ 6,268	\$ 7,021	\$ 753	\$ 13,661	\$ 17,908	\$ 4,247
Less Appropriation Carryover.....	642	1,331	(689)	6,698	2,170	4,528	2,479	1,199	1,280	9,819	4,700	5,119
Undesignated Fund Balances, June 30, 1997.....	\$ -	\$ -	\$ -	\$ 53	\$ 7,386	\$ 7,333	\$ 3,789	\$ 5,822	\$ 2,033	\$ 3,842	\$ 13,208	\$ 9,366

CAPITAL PROJECTS FUNDS

These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds). Descriptions of individual funds in this fund type follow:

The *General Project Fund* receives monies appropriated from the General Fund for maintenance, building, or capital improvement projects.

The *Transportation Fund* receives proceeds of transportation bonds, General Fund appropriations and federal grants for the construction or reconstruction of state and locally owned bridges.

The *Building Fund* receives revenue from the sale of state bonds to provide funds for the maintenance, acquisition and betterment of state lands and buildings and to make grants and loans to local governments for the acquisition and betterment of other public land and buildings.

STATE OF MINNESOTA

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 1997

(IN THOUSANDS)

	GENERAL PROJECT	TRANSPORTATION	BUILDING	TOTALS JUNE 30, 1997
ASSETS				
Cash and Cash Equivalents.....	\$ 3,462	\$ 1,827	\$ 140,291	\$ 145,580
Accounts Receivable.....	-	-	392	392
Interfund Receivables.....	-	-	67	67
Accrued Investment/Interest Income.....	-	-	16	16
Loans Receivable.....	74	-	48,296	48,370
 Total Assets.....	<u>\$ 3,536</u>	<u>\$ 1,827</u>	<u>\$ 189,062</u>	<u>\$ 194,425</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 134	\$ 513	\$ 22,913	\$ 23,560
Interfund Payables.....	-	6,244	748	6,992
Advances from Other Funds.....	-	995	-	995
 Total Liabilities.....	<u>\$ 134</u>	<u>\$ 7,752</u>	<u>\$ 23,661</u>	<u>\$ 31,547</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 841	\$ -	\$ -	\$ 841
Reserved for Long-Term Receivables.....	74	-	48,296	48,370
Reserved for Long-Term Commitments.....	-	776	114,833	115,609
 Total Reserved Fund Balances.....	<u>\$ 915</u>	<u>\$ 776</u>	<u>\$ 163,129</u>	<u>\$ 164,820</u>
Unreserved Fund Balances:				
Designated for Fund Purpose.....	\$ -	\$ -	\$ 2,272	\$ 2,272
Undesignated.....	2,487	(6,701)	-	(4,214)
 Total Fund Balances.....	<u>\$ 3,402</u>	<u>\$ (5,925)</u>	<u>\$ 165,401</u>	<u>\$ 162,878</u>
 Total Liabilities and Fund Balances.....	<u>\$ 3,536</u>	<u>\$ 1,827</u>	<u>\$ 189,062</u>	<u>\$ 194,425</u>

STATE OF MINNESOTA

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 1997

(IN THOUSANDS)

	GENERAL PROJECT	TRANSPORTATION	BUILDING	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Net Revenues:				
Investment/Interest Income.....	\$ 12	\$ -	\$ 12,515	\$ 12,527
Other Revenues.....	-	-	1,715	1,715
Net Revenues.....	\$ 12	\$ -	\$ 14,230	\$ 14,242
Expenditures:				
Current:				
Protection of Persons and Property.....	\$ 94	\$ -	\$ 369	\$ 463
Transportation.....	-	35	-	35
Resource Management.....	150	-	6,573	6,723
Economic and Manpower Development.....	-	-	18	18
Education.....	29	-	16,751	16,780
General Government.....	309	-	27,334	27,643
Total Current Expenditures.....	\$ 582	\$ 35	\$ 51,045	\$ 51,662
Capital Outlay.....	196	30	67,315	67,541
Debt Service.....	-	-	22	22
Grants and Subsidies.....	158	15,109	45,837	61,104
Total Expenditures.....	\$ 936	\$ 15,174	\$ 164,219	\$ 180,329
Excess of Revenues Over (Under) Expenditures....	\$ (924)	\$ (15,174)	\$ (149,989)	\$ (166,087)
Other Financing Sources (Uses):				
General Obligation Bonds.....	\$ -	\$ 600	\$ 152,250	\$ 152,850
Operating Transfers-In.....	-	-	67	67
Operating Transfers to Debt Service.....	-	-	(12,766)	(12,766)
Operating Transfers-Out.....	-	(146)	-	(146)
Transfers-Out to Component Units.....	-	-	(57,682)	(57,682)
Net Other Financing Sources (Uses).....	\$ -	\$ 454	\$ 81,869	\$ 82,323
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	\$ (924)	\$ (14,720)	\$ (68,120)	\$ (83,764)
Fund Balances, July 1.....	\$ 4,326	\$ 9,176	\$ 236,733	\$ 250,235
Residual Equity Transfers-Out.....	-	(381)	(3,212)	(3,593)
Fund Balances, June 30.....	\$ 3,402	\$ (5,925)	\$ 165,401	\$ 162,878

ENTERPRISE FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises and where the costs of providing goods or services to the general public are recovered primarily through user charges; or where the state has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Individual enterprise funds are described below.

The *State Colleges and Universities Revenue Fund* constructs, maintains and operates college buildings for residence hall, student union or food service purposes.

The *State Lottery Fund* accounts for the operations of the state lottery. The net proceeds are transferred to the Environment and Natural Resources Trust Fund (40 percent), with the remainder transferred to the Cambridge Bank Fund.

The *College and University Enterprise Activities Fund* includes the auxiliary enterprises and student loan programs operated by the state universities, community and technical colleges.

The *Minnesota Correctional Industries Fund* facilitates prisoner rehabilitation by providing facilities and assistance for manufacturing and marketing goods to the general public.

The *Chemical Dependency Treatment Fund* accounts for the activity of state regional treatment centers for chemical dependency treatment services.

The *Public Employees Insurance Fund* provides life insurance and hospital, medical, and dental benefit coverage to public employees and other eligible persons.

The *Private Employers Insurance Fund* provides group health insurance coverage for small business employers.

The *Enterprise Activities Fund* includes various minor activities providing services to the general public or local governmental units.

STATE OF MINNESOTA

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997
(IN THOUSANDS)

	STATE COLLEGES AND UNIVERSITIES REVENUE	STATE LOTTERY	COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES	MINNESOTA CORRECTIONAL INDUSTRIES	CHEMICAL DEPENDENCY TREATMENT	PUBLIC EMPLOYEES INSURANCE	PRIVATE EMPLOYERS INSURANCE	ENTERPRISE ACTIVITIES	TOTALS JUNE 30, 1997
ASSETS									
Cash and Cash Equivalents.....	\$ 1,787	\$ 22,680	\$ 20,786	\$ 4,222	\$ 2,426	\$ 4,314	\$ 1,394	\$ 3,107	\$ 60,716
Investments.....	22,298	-	-	-	-	-	-	-	22,298
Accounts Receivable.....	722	7,807	5,402	2,060	3,029	-	-	543	19,563
Interfund Receivables.....	-	-	-	-	-	16	-	138	154
Accrued Investment/Interest Income.....	630	136	184	-	-	-	-	-	950
Inventories.....	-	410	6,715	6,183	-	-	-	497	13,805
Deferred Costs.....	616	-	-	-	-	-	-	4	620
Restricted Assets:									
Investments.....	19,099	717	-	-	-	-	-	-	19,816
Loans Receivable.....	-	-	35,153	-	-	-	-	-	35,153
Fixed Assets (Net).....	74,007	1,985	4,955	2,083	170	14	2	490	83,706
Other Assets.....	-	-	12	152	-	-	-	-	164
Total Assets.....	<u>\$ 119,159</u>	<u>\$ 33,735</u>	<u>\$ 73,207</u>	<u>\$ 14,700</u>	<u>\$ 5,625</u>	<u>\$ 4,344</u>	<u>\$ 1,396</u>	<u>\$ 4,779</u>	<u>\$ 256,945</u>
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts Payable.....	\$ -	\$ 16,326	\$ 2,455	\$ 1,460	\$ 316	\$ 614	\$ 632	\$ 1,212	\$ 23,015
Interfund Payables.....	-	13,469	-	27	-	233	16	-	13,745
Deferred Revenue.....	1,044	108	204	-	-	-	-	153	1,509
Payable from Restricted Assets:									
Accounts Payable.....	3,057	173	-	-	-	-	-	-	3,230
Revenue Bonds Payable.....	715	-	-	-	-	-	-	-	715
General Obligation Bonds Payable.....	805	-	-	-	-	-	-	-	805
General Obligation Bonds Interest Payable.....	19	-	-	-	-	-	-	-	19
Notes Payable.....	-	-	584	35	-	-	-	-	619
Revenue Bonds Payable.....	30,240	-	1,815	-	-	-	-	-	32,055
Compensated Absences Payable.....	1,361	780	602	971	669	6	7	197	4,593
Advances from Other Funds.....	-	-	-	-	-	-	2,075	-	2,075
Other Liabilities.....	-	2,879	1,777	12	-	-	-	-	4,668
Total Liabilities.....	<u>\$ 37,241</u>	<u>\$ 33,735</u>	<u>\$ 7,437</u>	<u>\$ 2,505</u>	<u>\$ 985</u>	<u>\$ 853</u>	<u>\$ 2,730</u>	<u>\$ 1,562</u>	<u>\$ 87,048</u>
Fund Equity:									
Contributed Capital.....	<u>\$ 2,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,335</u>	<u>\$ 5,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095</u>	<u>\$ 15,158</u>
Reserved Retained Earnings:									
Reserved for Debt Requirements.....	<u>\$ 13,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,570</u>
Total Reserved Retained Earnings.....	<u>\$ 13,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,570</u>
Unreserved Retained Earnings.....	<u>66,082</u>	<u>\$ -</u>	<u>65,770</u>	<u>5,860</u>	<u>(822)</u>	<u>3,491</u>	<u>(1,334)</u>	<u>2,122</u>	<u>141,169</u>
Total Retained Earnings.....	<u>\$ 79,652</u>	<u>\$ -</u>	<u>\$ 65,770</u>	<u>\$ 5,860</u>	<u>\$ (822)</u>	<u>\$ 3,491</u>	<u>\$ (1,334)</u>	<u>\$ 2,122</u>	<u>\$ 154,739</u>
Total Fund Equity.....	<u>\$ 81,918</u>	<u>\$ -</u>	<u>\$ 65,770</u>	<u>\$ 12,195</u>	<u>\$ 4,640</u>	<u>\$ 3,491</u>	<u>\$ (1,334)</u>	<u>\$ 3,217</u>	<u>\$ 169,897</u>
Total Liabilities and Fund Equity.....	<u>\$ 119,159</u>	<u>\$ 33,735</u>	<u>\$ 73,207</u>	<u>\$ 14,700</u>	<u>\$ 5,625</u>	<u>\$ 4,344</u>	<u>\$ 1,396</u>	<u>\$ 4,779</u>	<u>\$ 256,945</u>

STATE OF MINNESOTA

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	STATE COLLEGES AND UNIVERSITIES REVENUE	STATE LOTTERY	COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES	MINNESOTA CORRECTIONAL INDUSTRIES	CHEMICAL DEPENDENCY TREATMENT	PUBLIC EMPLOYEES INSURANCE	PRIVATE EMPLOYERS INSURANCE	ENTERPRISE ACTIVITIES	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Operating Revenues:									
Net Sales	\$ -	\$ 344,563	\$ 52,500	\$ 14,454	\$ -	\$ -	\$ -	\$ 2,550	\$ 414,067
Interest Income	-	-	494	-	-	-	-	-	494
Rental and Service Fees	43,321	-	3,323	-	12,256	-	-	1,688	60,588
Insurance Premiums	-	-	-	-	-	9,422	7,498	-	16,920
Other Income	-	-	3,529	18	-	411	358	-	4,316
Total Operating Revenues	\$ 43,321	\$ 344,563	\$ 59,846	\$ 14,472	\$ 12,256	\$ 9,833	\$ 7,856	\$ 4,238	\$ 496,385
Less Cost of Goods Sold	-	243,492	34,313	13,559	-	-	-	985	292,349
Gross Margin	\$ 43,321	\$ 101,071	\$ 25,533	\$ 913	\$ 12,256	\$ 9,833	\$ 7,856	\$ 3,253	\$ 204,036
Operating Expenses:									
Purchased Services.....	\$ 17,406	\$ 29,322	\$ 7,259	\$ 25	\$ -	\$ 606	\$ 804	\$ 896	\$ 56,318
Salaries and Fringe Benefits.....	14,185	8,952	9,584	3,613	8,076	103	96	1,598	46,207
Claims.....	-	-	-	-	-	9,394	6,981	-	16,375
Depreciation	5,198	688	479	434	41	9	1	170	7,020
Amortization	25	-	-	-	-	-	-	-	25
Supplies and Materials.....	2,917	784	2,745	156	-	-	-	210	6,812
Indirect Costs.....	-	-	-	340	3,493	10	7	130	3,980
Other Expenses.....	-	1,139	2,365	789	308	8	34	-	4,643
Total Operating Expenses	\$ 39,731	\$ 40,885	\$ 22,432	\$ 5,357	\$ 11,918	\$ 10,130	\$ 7,923	\$ 3,004	\$ 141,380
Operating Income (Loss)	\$ 3,590	\$ 60,186	\$ 3,101	\$ (4,444)	\$ 338	\$ (297)	\$ (67)	\$ 249	\$ 62,656
Nonoperating Revenues (Expenses):									
Investment Income	\$ 2,682	\$ 1,829	\$ 1,135	\$ 145	\$ 174	\$ 220	\$ 58	\$ -	\$ 6,243
Grants and Subsidies	-	-	3,728	-	-	-	-	-	3,728
Other Nonoperating Revenues	33	2,480	350	207	-	-	-	-	3,070
Interest and Financing Costs	(1,988)	-	(341)	-	-	-	-	-	(2,329)
Grants, Aids and Subsidies	-	-	(3,517)	-	-	-	-	-	(3,517)
Gain (Loss) on Sale of Fixed Assets	-	-	10	(1)	-	-	-	(2)	7
Total Nonoperating Revenues (Expenses)	\$ 727	\$ 4,309	\$ 1,365	\$ 351	\$ 174	\$ 220	\$ 58	\$ (2)	\$ 7,202
Income (Loss) Before Operating Transfers	\$ 4,317	\$ 64,495	\$ 4,466	\$ (4,093)	\$ 512	\$ (77)	\$ (9)	\$ 247	\$ 69,858
Operating Transfers-In	-	-	-	4,999	-	-	-	-	4,999
Operating Transfers-Out	-	(64,495)	(1,878)	-	-	(2,000)	-	-	(68,373)
Net Income (Loss)	\$ 4,317	\$ -	\$ 2,588	\$ 906	\$ 512	\$ (2,077)	\$ (9)	\$ 247	\$ 6,484
Depreciation on Fixed Assets Acquired with Contributed Capital	352	-	-	-	-	-	-	13	365
Increase (Decrease) in Retained Earnings	\$ 4,669	\$ -	\$ 2,588	\$ 906	\$ 512	\$ (2,077)	\$ (9)	\$ 260	\$ 6,849
Retained Earnings, July 1, as Reported	\$ 74,983	\$ -	\$ 63,182	\$ 4,954	\$ (1,334)	\$ 6,226	\$ (783)	\$ 1,862	\$ 149,090
Prior Period Adjustments	-	-	-	-	-	(658)	(542)	-	(1,200)
Retained Earnings, July 1, as Restated	\$ 74,983	\$ -	\$ 63,182	\$ 4,954	\$ (1,334)	\$ 5,568	\$ (1,325)	\$ 1,862	\$ 147,890
Retained Earnings, June 30	\$ 79,652	\$ -	\$ 65,770	\$ 5,860	\$ (822)	\$ 3,491	\$ (1,334)	\$ 2,122	\$ 154,739

STATE OF MINNESOTA

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	STATE COLLEGES AND UNIVERSITIES REVENUE	STATE LOTTERY	COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES	MINNESOTA CORRECTIONAL INDUSTRIES	CHEMICAL DEPENDENCY TREATMENT	PUBLIC EMPLOYEES INSURANCE	PRIVATE EMPLOYERS INSURANCE	ENTERPRISE ACTIVITIES	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Cash Flows from Operating Activities:									
Operating Income (Loss).....	\$ 3,590	\$ 60,186	\$ 3,101	\$ (4,444)	\$ 338	\$ (297)	\$ (67)	\$ 249	\$ 62,656
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:									
Depreciation.....	\$ 5,198	\$ 688	\$ 479	\$ 434	\$ 41	\$ 9	\$ 1	\$ 170	\$ 7,020
Amortization.....	25	-	-	-	-	-	-	-	25
Loan Principal Repayments.....	-	-	5,727	-	-	-	-	-	5,727
Loans Issued.....	-	-	(7,692)	-	-	-	-	-	(7,692)
Provision for Loan Defaults.....	-	-	53	-	-	-	-	-	53
Net Nonoperating Revenues (Expenses).....	-	2,480	-	207	-	-	-	-	2,687
Change in Assets and Liabilities:									
Accounts Receivable.....	28	(3,867)	(1,119)	39	(441)	230	113	(66)	(5,083)
Inventories.....	-	507	72	541	-	-	-	68	1,188
Other Assets.....	-	34	75	(127)	-	-	-	(2)	(20)
Accounts Payable.....	(2,973)	(5,064)	(966)	680	5	(87)	(39)	24	(8,420)
Compensated Absences Payable.....	(55)	26	171	95	(25)	(3)	6	24	239
Deferred Revenues.....	(18)	(76)	141	-	-	-	-	(65)	(18)
Other Liabilities.....	(15)	2,335	1,451	(19)	-	-	-	-	3,752
Net Reconciling Items to be Added (Deducted) from Operating Income.....									
Net Cash Flows from Operating Activities.....	\$ 5,780	\$ 57,249	\$ 1,493	\$ (2,594)	\$ (82)	\$ (148)	\$ 14	\$ 402	\$ 62,114
Cash Flows from Noncapital Financing Activities:									
Grant Receipts.....	\$ -	\$ -	\$ 4,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,493
Grant Disbursements.....	-	-	(3,102)	-	-	-	-	-	(3,102)
Transfers-In.....	-	-	-	4,999	-	-	-	-	4,999
Transfers-Out.....	-	(60,075)	(1,878)	-	-	(2,000)	-	-	(63,953)
Advances from Other Funds.....	-	-	-	-	-	243	-	-	243
Advances to Other Funds.....	-	-	-	-	-	-	(29)	-	(29)
Net Cash Flows from Noncapital Financing Activities.....	\$ -	\$ (60,075)	\$ (487)	\$ 4,999	\$ -	\$ (1,757)	\$ (29)	\$ -	\$ (57,349)
Cash Flows from Capital and Related Financing Activities:									
Capital Contributions.....	\$ -	\$ -	\$ -	\$ 63	\$ -	\$ -	\$ -	\$ -	\$ 63
Investment in Fixed Assets.....	(6,701)	(1,213)	(1,465)	(392)	(33)	-	-	(73)	(9,877)
Proceeds from the Sale of Fixed Assets.....	-	16	310	(1)	-	-	-	4	329
Repayment of Bond Principal.....	(1,450)	-	(319)	-	-	-	-	-	(1,769)
Interest Paid.....	(1,974)	-	(243)	-	-	-	-	-	(2,217)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (10,125)	\$ (1,197)	\$ (1,717)	\$ (330)	\$ (33)	\$ -	\$ -	\$ (69)	\$ (13,471)
Cash Flows from Investing Activities:									
Proceeds from Sales and Maturities of Investments.....	\$ 45,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,243
Purchase of Investments.....	(42,480)	-	-	-	-	-	-	-	(42,480)
Investment Earnings.....	2,659	1,875	1,104	145	175	220	57	-	6,235
Net Cash Flows from Investing Activities.....	\$ 5,422	\$ 1,875	\$ 1,104	\$ 145	\$ 175	\$ 220	\$ 57	\$ -	\$ 8,998
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 1,077	\$ (2,148)	\$ 393	\$ 2,220	\$ 60	\$ (1,685)	\$ 42	\$ 333	\$ 292
Cash and Cash Equivalents, July 1.....	\$ 710	\$ 24,828	\$ 20,393	\$ 2,002	\$ 2,366	\$ 5,999	\$ 1,352	\$ 2,774	\$ 60,424
Cash and Cash Equivalents, June 30.....	\$ 1,787	\$ 22,680	\$ 20,786	\$ 4,222	\$ 2,426	\$ 4,314	\$ 1,394	\$ 3,107	\$ 60,716

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one state agency to other state agencies on a cost-reimbursement basis. Descriptions of individual funds in this category are presented below.

The *Intertechnologies Fund* accounts for the operation of statewide communication and information systems.

The *Central Stores Fund* accounts for the operation of centralized supplies purchasing, storage and distribution.

The *State Printer Fund* accounts for the operation of print shops.

The *Central Motor Pool Fund* accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

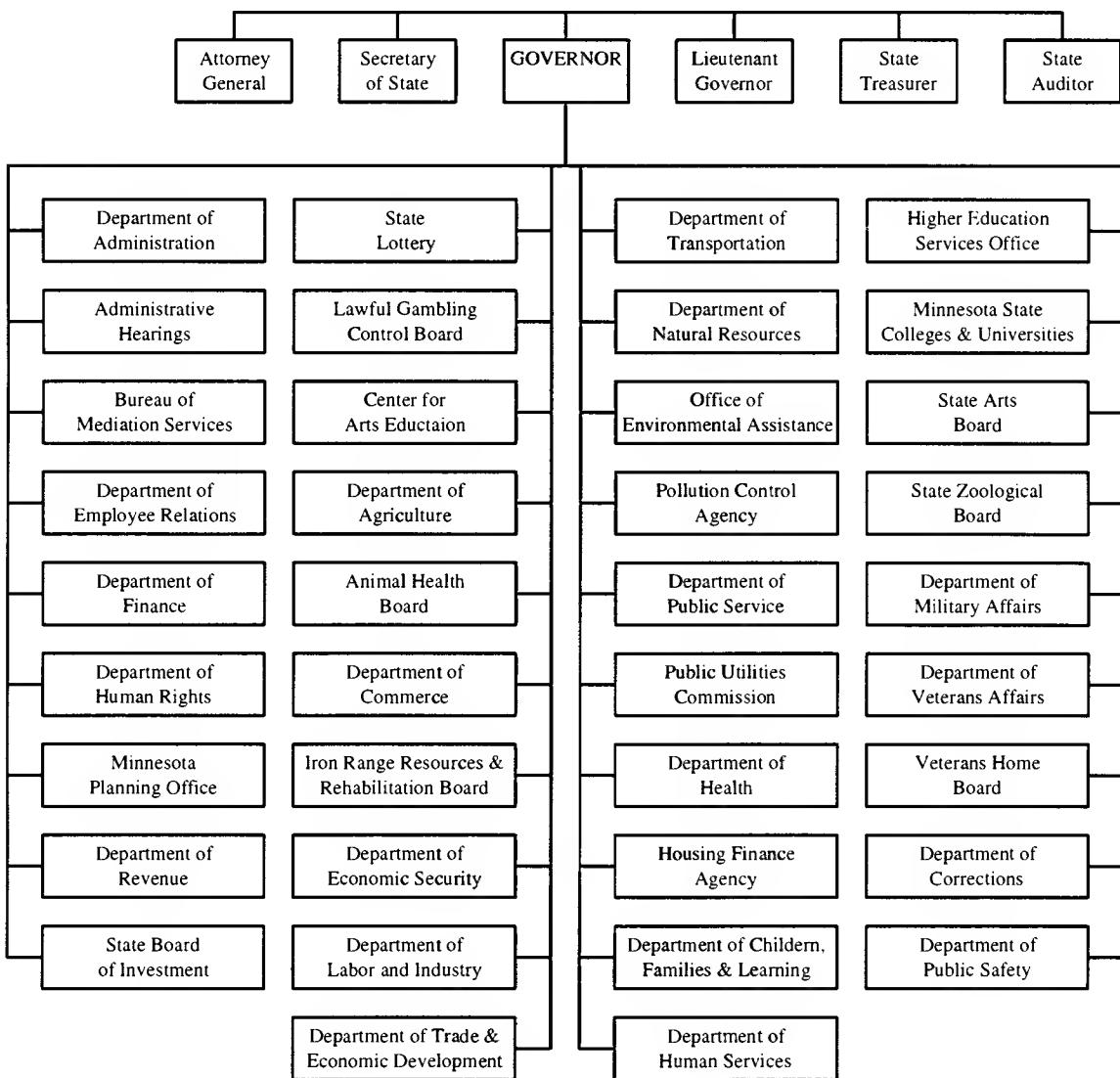
The *Plant Management Fund* accounts for the cost of maintenance and operation of state owned buildings and grounds in the capitol complex.

The *Employee Insurance Fund* accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

The *Risk Management Fund* accounts for the providing of liability insurance, primarily automobile, to state agencies.

The *Central Services Fund* accounts for miscellaneous centralized support services provided to state agencies.

STATE ORGANIZATION CHART



STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 1997
(IN THOUSANDS)

	INTER- TECHNOLOGIES	CENTRAL STORES	STATE PRINTER	CENTRAL MOTOR POOL	PLANT MANAGEMENT	EMPLOYEE INSURANCE	RISK MANAGEMENT	CENTRAL SERVICES	TOTALS JUNE 30, 1997
ASSETS									
Cash and Cash Equivalents.....	\$ 4,332	\$ 183	\$ 1,222	\$ 874	\$ 5,758	\$ 54,532	\$ 7,527	\$ 674	\$ 75,102
Investments.....	-	-	-	-	-	19,812	-	-	19,812
Accounts Receivable.....	11,620	887	783	1,223	834	12,470	103	875	28,795
Interfund Receivables.....	-	-	25	-	-	-	-	-	25
Accrued Investment/Interest Income.....	-	-	-	-	-	204	-	-	204
Inventories.....	-	720	194	37	217	-	-	20	1,188
Prepaid Expenses.....	622	-	-	-	-	-	44	-	666
Fixed Assets (Net).....	18,949	11	439	15,113	1,284	188	-	104	36,088
Total Assets.....	\$ 35,523	\$ 1,801	\$ 2,663	\$ 17,247	\$ 8,093	\$ 87,206	\$ 7,674	\$ 1,673	\$ 161,880
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts Payable.....	\$ 3,265	\$ 631	\$ 364	\$ 377	\$ 850	\$ 26,697	\$ 5,336	\$ 336	\$ 37,856
Interfund Payables.....	2,500	-	-	1,101	-	698	-	110	4,409
Accrued Interest Payable.....	95	-	-	55	2	-	-	-	152
Deferred Revenue.....	218	-	-	-	-	-	115	-	333
Loans Payable.....	21,842	-	-	12,320	456	-	-	17	34,635
Compensated Absences Payable.....	1,460	75	215	64	760	165	32	318	3,089
Advances from Other Funds.....	-	-	-	1,971	-	-	-	-	1,971
Total Liabilities.....	\$ 29,380	\$ 706	\$ 579	\$ 15,888	\$ 2,068	\$ 27,560	\$ 5,483	\$ 781	\$ 82,445
Fund Equity:									
Contributed Capital.....	\$ 2,348	\$ 691	\$ 1,432	\$ 502	\$ 664	\$ -	\$ -	\$ 427	\$ 6,064
Retained Earnings:									
Reserved for Claims.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,646	\$ -	\$ -	\$ 59,646
Unreserved.....	3,795	404	652	857	5,361	-	2,191	465	13,725
Total Retained Earnings.....	\$ 3,795	\$ 404	\$ 652	\$ 857	\$ 5,361	\$ 59,646	\$ 2,191	\$ 465	\$ 73,371
Total Fund Equity.....	\$ 6,143	\$ 1,095	\$ 2,084	\$ 1,359	\$ 6,025	\$ 59,646	\$ 2,191	\$ 892	\$ 79,435
Total Liabilities and Fund Equity.....	\$ 35,523	\$ 1,801	\$ 2,663	\$ 17,247	\$ 8,093	\$ 87,206	\$ 7,674	\$ 1,673	\$ 161,880

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	INTER- TECHNOLOGIES	CENTRAL STORES	STATE PRINTER	CENTRAL MOTOR POOL	PLANT MANAGEMENT	EMPLOYEE INSURANCE	RISK MANAGEMENT	CENTRAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Operating Revenues:									
Net Sales.....	\$ -	\$ 7,337	\$ 5,327	\$ -	\$ 722	\$ -	\$ -	\$ 6,152	\$ 19,538
Rental and Service Fees.....	62,989	-	-	6,789	26,260	-	-	-	96,038
Insurance Premiums.....	-	-	-	-	-	222,616	6,122	-	228,738
Other Income.....	389	-	-	276	659	2,515	-	-	3,839
Total Operating Revenues.....	\$ 63,378	\$ 7,337	\$ 5,327	\$ 7,065	\$ 27,641	\$ 225,131	\$ 6,122	\$ 6,152	\$ 348,153
Less Cost of Goods Sold.....	-	6,142	4,028	-	-	-	-	62	10,232
Gross Margin.....	\$ 63,378	\$ 1,195	\$ 1,299	\$ 7,065	\$ 27,641	\$ 225,131	\$ 6,122	\$ 6,090	\$ 337,921
Operating Expenses:									
Purchased Services.....	\$ 37,617	\$ 364	\$ 244	\$ 1,078	\$ 7,099	\$ 105,644	\$ 2,155	\$ 2,226	\$ 156,427
Salaries and Fringe Benefits.....	12,188	565	635	726	8,350	2,050	403	3,409	28,326
Claims.....	-	-	-	-	-	127,581	2,314	-	129,895
Depreciation.....	14,227	18	85	3,847	392	75	11	81	18,736
Amortization.....	155	-	-	-	41	-	-	-	196
Supplies and Materials.....	1,557	6	50	1,721	1,515	53	26	117	5,045
Indirect Costs.....	747	329	201	245	487	141	18	77	2,245
Other Expenses.....	-	-	-	89	-	905	190	34	1,218
Total Operating Expenses.....	\$ 66,491	\$ 1,282	\$ 1,215	\$ 7,706	\$ 17,884	\$ 236,449	\$ 5,117	\$ 5,944	\$ 342,088
Operating Income (Loss).....	\$ (3,113)	\$ (87)	\$ 84	\$ (641)	\$ 9,757	\$ (11,318)	\$ 1,005	\$ 146	\$ (4,167)
Nonoperating Revenues (Expenses):									
Investment Income.....	\$ 962	\$ -	\$ -	\$ 494	\$ 23	\$ 4,709	\$ 360	\$ 1	\$ 6,549
Other Nonoperating Revenues.....	-	-	-	2	-	-	-	-	2
Interest and Financing Costs.....	(1,373)	-	-	(556)	(25)	-	-	(1)	(1,955)
Gain (Loss) on Sale of Fixed Assets.....	(216)	-	(1)	292	4	-	-	1	80
Net Nonoperating Revenues (Expenses).....	\$ (627)	\$ -	\$ (1)	\$ 232	\$ 2	\$ 4,709	\$ 360	\$ 1	\$ 4,676
Income (Loss) Before Operating Transfers.....	\$ (3,740)	\$ (87)	\$ 83	\$ (409)	\$ 9,759	\$ (6,609)	\$ 1,365	\$ 147	\$ 509
Operating Transfers-Out.....	-	-	-	-	(9,517)	-	-	-	(9,517)
Net Income (Loss).....	\$ (3,740)	\$ (87)	\$ 83	\$ (409)	\$ 242	\$ (6,609)	\$ 1,365	\$ 147	\$ (9,008)
Retained Earnings, July 1, as Reported.....	\$ 7,535	\$ 491	\$ 569	\$ 1,266	\$ 5,119	\$ 66,255	\$ 542	\$ 414	\$ 82,191
Prior Period Adjustments.....	-	-	-	-	-	-	284	-	284
Retained Earnings, July 1, as Restated.....	\$ 7,535	\$ 491	\$ 569	\$ 1,266	\$ 5,119	\$ 66,255	\$ 826	\$ 414	\$ 82,475
Residual Equity Transfers-Out.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (96)	\$ (96)
Retained Earnings, June 30.....	\$ 3,795	\$ 404	\$ 652	\$ 857	\$ 5,361	\$ 59,646	\$ 2,191	\$ 465	\$ 73,371

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	INTER- TECHNOLOGIES	CENTRAL STORES	STATE PRINTER	CENTRAL MOTOR POOL	PLANT MANAGEMENT	EMPLOYEE INSURANCE	RISK MANAGEMENT	CENTRAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Cash Flows from Operating Activities:									
Operating Income (Loss).....	\$ (3,113)	\$ (87)	\$ 84	\$ (641)	\$ 9,757	\$ (11,318)	\$ 1,005	\$ 146	\$ (4,167)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:									
Depreciation.....	\$ 14,227	\$ 18	\$ 194	\$ 3,847	\$ 392	\$ 75	\$ 11	\$ 81	\$ 18,845
Amortization.....	155	-	-	-	41	-	-	-	196
Change in Assets and Liabilities:									
Accounts Receivable.....	955	(151)	61	392	2,776	3,499	25	90	7,647
Inventories.....	-	53	5	(12)	(23)	-	-	5	28
Other Assets.....	27	-	-	-	-	-	39	-	66
Accounts Payable.....	(773)	31	15	60	(340)	(856)	(257)	(17)	(2,137)
Compensated Absences Payable.....	59	13	21	8	(26)	38	-	32	145
Deferred Revenues.....	218	-	-	-	-	-	26	(44)	200
Net Reconciling Items to be Added (Deducted) from Operating Income.....	\$ 14,868	\$ (36)	\$ 296	\$ 4,295	\$ 2,820	\$ 2,756	\$ (156)	\$ 147	\$ 24,990
Net Cash Flows from Operating Activities.....	\$ 11,755	\$ (123)	\$ 380	\$ 3,654	\$ 12,577	\$ (8,562)	\$ 849	\$ 293	\$ 20,823
Cash Flows from Noncapital Financing Activities:									
Transfers-Out.....	\$ -	\$ -	\$ -	\$ -	\$ (9,517)	\$ -	\$ -	\$ -	\$ (9,517)
Residual Equity Transfers-Out.....	-	-	-	-	-	-	-	(96)	(96)
Advances from Other Funds.....	501	-	-	5,498	-	-	-	-	5,999
Repayments of Advances to Other Funds.....	-	-	-	-	-	18	-	-	18
Repayments of Advances from Other Funds.....	-	-	-	(4,615)	-	-	-	-	(4,615)
Net Cash Flows from Noncapital Financing Activities.....	\$ 501	\$ -	\$ -	\$ 883	\$ (9,517)	\$ 18	\$ -	\$ (96)	\$ (8,211)
Cash Flows from Capital and Related Financing Activities:									
Investment in Fixed Assets.....	\$ (6,784)	\$ (3)	\$ (22)	\$ (7,202)	\$ (96)	\$ (5)	\$ -	\$ (36)	\$ (14,148)
Proceeds from the Sale of Fixed Assets.....	14	-	-	692	8	-	-	1	715
Capital Lease Payments.....	437	-	-	-	(25)	-	-	-	412
Proceeds from Loans.....	8,198	-	-	7,236	87	-	-	19	15,540
Repayment of Loan Principal.....	(11,247)	-	-	(5,007)	(140)	-	-	-	(16,394)
Repayment of Bond Principal.....	-	-	-	-	-	-	-	(10)	(10)
Interest Paid.....	(1,392)	-	-	(544)	-	-	-	(1)	(1,937)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (10,774)	\$ (3)	\$ (22)	\$ (4,825)	\$ (166)	\$ (5)	\$ -	\$ (27)	\$ (15,822)
Cash Flows from Investing Activities:									
Purchase of Investments.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20,016)	\$ -	\$ -	\$ (20,016)
Investment Earnings.....	962	-	-	494	17	4,709	360	1	6,543
Net Cash Flows from Investing Activities.....	\$ 962	\$ -	\$ -	\$ 494	\$ 17	\$ (15,307)	\$ 360	\$ 1	\$ (13,473)
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 2,444	\$ (126)	\$ 358	\$ 206	\$ 2,911	\$ (23,856)	\$ 1,209	\$ 171	\$ (16,683)
Cash and Cash Equivalents, July 1, as Reported.....	\$ 1,888	\$ 309	\$ 864	\$ 668	\$ 2,847	\$ 78,388	\$ 6,034	\$ 503	\$ 91,501
Prior Period Adjustments.....	-	-	-	-	-	-	284	-	284
Cash and Cash Equivalents, July 1, as Restated.....	\$ 1,888	\$ 309	\$ 864	\$ 668	\$ 2,847	\$ 78,388	\$ 6,318	\$ 503	\$ 91,785
Cash and Cash Equivalents, June 30.....	\$ 4,332	\$ 183	\$ 1,222	\$ 874	\$ 5,758	\$ 54,532	\$ 7,527	\$ 674	\$ 75,102

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Below are descriptions of the generic fund types within this category and specific funds within each fund type.

PENSION TRUST FUNDS are funds administered by independent boards for which the state performs a fiduciary role. These funds are categorized by function into three types.

Defined Benefit Pension Funds include those retirement funds for which the participant's retirement annuity is based on a statutory formula utilizing such factors as age, average salary, length of service and others. Individual funds in this category include those described below.

The *Public Employees Retirement Fund* includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

The *Police and Fire Fund* includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

The *Police and Fire Consolidation Fund* includes resources accumulated to pay present and future retirement annuities to police officers and firefighters belonging to local relief associations, that merged with the Public Employees Retirement Association.

The *Teachers Retirement Fund* includes resources accumulated to pay present and future retirement annuities for members of both the basic and coordinated teachers retirement plans.

The *State Employees Retirement Fund* includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

The *State Patrol Retirement Fund* includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers and crime bureau personnel.

The *Correctional Employees Retirement Fund* includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for inmates at Minnesota correctional facilities.

The *Judicial Retirement Fund* includes resources accumulated to pay present and future retirement annuities to eligible district, municipal, county and probate court judges, supreme court justices and various court referees.

The *Elective State Officers Fund* includes resources accumulated to pay present and future retirement annuities for the state's constitutional officers.

The *Legislative Retirement Fund* includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

Defined Contribution Funds include those retirement funds for which the amount of the participant's retirement annuity is primarily determined by the employer/employee contributions. Other factors such as age and length of service may provide minimum eligibility qualifications. Individual funds in this category are described below.

The *Unclassified Employees Retirement Fund* includes the aggregate of unclassified employee share accounts which are either refunded or used to purchase a retirement annuity upon termination of service.

The *State College and University Retirement Fund* includes the aggregate of share accounts derived from contributions received from eligible state university and community college with matching state contributions, administered by the State College and University System.

Pension Investment Trust Funds are investment funds which serve as investment vehicles for the participating pension funds. They are administered by the State Board of Investment in accordance with the applicable statutes defining the participating pension funds, the types of investments which may be purchased and the distribution of earnings or losses.

The *Minnesota Supplemental Investment Fund* provides an investment vehicle for the Defined Contribution Funds and for some locally administered pension plans.

The *Minnesota Post-Retirement Investment Fund* serves as an investment vehicle for the Defined Benefit Funds and as such invests their reserves to produce income for the payment of retirement benefits.

NONEXPENDABLE TRUST FUNDS are funds whose principal may not be expended.

The *Permanent School Fund* is a constitutionally established trust fund which receives revenue from investments and the sale of state land and timber. The investment earnings are transferred to the Endowment School Fund for distribution to school districts.

The *Environment and Natural Resources Nonexpendable Trust Fund* receives 40 percent of the net lottery proceeds of the State Lottery Fund. The state constitutional amendment establishing the fund permits a portion of these proceeds, until fiscal year 1997, to be used for the purpose of managing the state's environmental and natural resources; after that only the investment earnings of the fund are available for these purposes. Available proceeds and earnings are transferred to the Environment and Natural Resources Expendable Trust Fund.

EXPENDABLE TRUST FUNDS are funds whose resources, including principal and interest, may be expended. Descriptions of individual funds in this category follow.

The *Municipal State-Aid Street Fund* receives 8.95 percent of the revenue received by the Highway User Tax Distribution Fund primarily for distribution to municipalities for improvement of streets.

The *County State-Aid Highway Fund* receives 30.75 percent of the revenue received by the Highway User Tax Distribution Fund primarily for distribution to counties for improvement of county roads.

The *Endowment School Fund* receives revenue from the investments of the Permanent School Fund and distributes it to school districts.

The *Endowment Fund* receives gifts, donations and endowments which may be expended only for those purposes specified by the donors.

The *Environment and Natural Resources Expendable Trust Fund* receives the investment earnings and a portion of the net lottery proceeds deposited in the Environment and Natural Resources Nonexpendable Trust Fund in accordance with a plan approved by the Minnesota Future Resource Commission.

The *Northeast Minnesota Economic Protection Fund* receives distribution from taconite production taxes to be held in trust or expended only in economic emergency for the purposes of rehabilitation and diversification of industry in the area largely dependent on the taconite mining industry.

The *Reemployment Insurance Fund* receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

AGENCY FUNDS are funds which hold monies in an agency capacity for various governmental units, individuals or funds. Individual fund description follow.

The *Deferred Compensation Fund* includes the aggregate of voluntary employee payroll deductions which defer income and are repaid in accordance with income tax code restrictions.

The *Disbursement Clearing Fund* is a clearing fund used to account for state warrants issued and redeemed.

The *Miscellaneous Agency Fund* includes the amounts held in trust by the state for other governmental units, individuals or funds.

STATE OF MINNESOTA

FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997
(IN THOUSANDS)

	PENSION TRUST	NON- EXPENDABLE TRUST	EXPENDABLE TRUST	AGENCY	TOTALS JUNE 30, 1997
ASSETS					
Cash and Cash Equivalents.....	\$ 458,041	\$ 43,300	\$ 933,070	\$ 218,160	\$ 1,652,571
Investments.....	16,093,981	554,711	3,312	1,141,367	17,793,371
Equity in Pension Investment Trust Funds.....	14,312,527	-	-	392,573	14,705,100
Accounts Receivable.....	49,971	6,130	13,130	21,423	90,654
Interfund Receivables.....	24,261	4,430	38,399	1,262	68,352
Accrued Investment/Interest Income.....	400	5,252	93	-	5,745
Federal Aid Receivable.....	-	-	253	-	253
Inventories.....	-	-	2,197	-	2,197
Loans and Notes Receivable.....	-	-	20,981	-	20,981
Securities Lending Collateral.....	3,697,528	-	-	33,211	3,730,739
Fixed Assets (Net).....	1,550	15,412	-	-	16,962
Total Assets.....	\$ 34,638,259	\$ 629,235	\$ 1,011,435	\$ 1,807,996	\$ 38,086,925
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable.....	\$ -	\$ -	\$ -	\$ 133,530	\$ 133,530
Accounts Payable.....	10,636	6	28,967	18,797	58,406
Interfund Payables.....	17,947	15,443	6,550	2,101	42,041
Deferred Revenue.....	-	-	3,007	-	3,007
Compensated Absences Payable.....	732	-	943	-	1,675
Securities Lending Collateral.....	3,697,528	-	-	33,211	3,730,739
Funds Held in Trust.....	-	-	13	1,620,357	1,620,370
Total Liabilities.....	\$ 3,726,843	\$ 15,449	\$ 39,480	\$ 1,807,996	\$ 5,589,768
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances.....	\$ -	\$ -	\$ 8,714	\$ -	\$ 8,714
Reserved for Inventory.....	-	-	2,197	-	2,197
Reserved for Long-Term Receivables.....	-	-	20,031	-	20,031
Reserved for Local Governments.....	-	-	356,250	-	356,250
Reserved for Trust Principal.....	-	613,786	-	-	613,786
Reserved for Pension Benefits.....	30,911,416	-	-	-	30,911,416
Total Reserved Fund Balances.....	\$ 30,911,416	\$ 613,786	\$ 387,192	\$ -	\$ 31,912,394
Unreserved Fund Balances:					
Designated for Fund Purposes.....	-	-	584,763	-	584,763
Total Fund Balances.....	\$ 30,911,416	\$ 613,786	\$ 971,955	\$ -	\$ 32,497,157
Total Liabilities and Fund Balances.....	\$ 34,638,259	\$ 629,235	\$ 1,011,435	\$ 1,807,996	\$ 38,086,925

STATE OF MINNESOTA

PENSION TRUST FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997
(IN THOUSANDS)

	DEFINED BENEFIT	DEFINED CONTRIBUTION	PENSION INVESTMENT TRUST	TOTALS JUNE 30, 1997
ASSETS				
Cash and Cash Equivalents.....	\$ 414,206	\$ 34,125	\$ 9,710	\$ 458,041
Investments.....	15,836,386	130,653	126,942	16,093,981
Equity in Pension Investment Trust Funds.....	13,927,132	385,395	-	14,312,527
Accounts Receivable.....	49,663	308	-	49,971
Interfund Receivables.....	24,261	-	-	24,261
Accrued Investment Income.....	92	-	308	400
Securities Lending Collateral.....	3,647,190	37,616	12,722	3,697,528
Fixed Assets (Net).....	1,550	-	-	1,550
Total Assets.....	\$ 33,900,480	\$ 588,097	\$ 149,682	\$ 34,638,259
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 10,068	\$ 547	\$ 21	\$ 10,636
Interfund Payables.....	16,286	1,661	-	17,947
Compensated Absences Payable.....	732	-	-	732
Securities Lending Collateral.....	3,647,190	37,616	12,722	3,697,528
Total Liabilities.....	\$ 3,674,276	\$ 39,824	\$ 12,743	\$ 3,726,843
Fund Balances:				
Reserved for Pension Benefits.....	\$ 30,226,204	\$ 548,273	\$ 136,939	\$ 30,911,416
Total Fund Balances.....	\$ 30,226,204	\$ 548,273	\$ 136,939	\$ 30,911,416
Total Liabilities and Fund Balances.....	\$ 33,900,480	\$ 588,097	\$ 149,682	\$ 34,638,259

STATE OF MINNESOTA

PENSION TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	DEFINED CONTRIBUTION	PENSION INVESTMENT TRUST	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Operating Revenues:			
Contributions.....	\$ 32,324	\$ -	\$ 32,324
Investment Income.....	34,644	7,412	42,056
Realized/Unrealized Gain on Pension Investment Trust Fund Equity.....	57,484	-	57,484
Net Realized Gains (Losses).....	-	4,958	4,958
Increase (Decrease) in Unrealized Appreciation.....	-	12,963	12,963
Other Income.....	1,101	-	1,101
 Net Operating Revenues.....	 \$ 125,553	 \$ 25,333	 \$ 150,886
 Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 2,152	\$ 726	\$ 2,878
Borrower Rebates.....	(1,982)	(670)	(2,652)
Management Fees.....	(51)	(16)	(67)
 Net Securities Lending Revenues.....	 \$ 119	 \$ 40	 \$ 159
 Total Operating Revenues.....	 \$ 125,672	 \$ 25,373	 \$ 151,045
 Operating Expenses:			
Refunded Contributions.....	\$ 16,536	\$ -	\$ 16,536
Purchased Services.....	862	-	862
Investment Management Fees.....	-	77	77
Salaries and Fringe Benefits.....	74	-	74
Supplies and Materials.....	10	-	10
Indirect Costs.....	1	-	1
 Total Operating Expenses.....	 \$ 17,483	 \$ 77	 \$ 17,560
 Operating Income (Loss).....	 \$ 108,189	 \$ 25,296	 \$ 133,485
 Nonoperating Revenues (Expenses):			
Participant Contributions.....	\$ -	\$ 4,639	\$ 4,639
Participant Withdrawals.....	-	(2,694)	(2,694)
 Net Nonoperating Revenues (Expenses).....	 \$ -	 \$ 1,945	 \$ 1,945
 Income (Loss) Before Operating Transfers.....	 \$ 108,189	 \$ 27,241	 \$ 135,430
Operating Transfers-In.....	902	-	902
Operating Transfers-Out.....	(2,431)	-	(2,431)
 Net Income (Loss).....	 \$ 106,660	 \$ 27,241	 \$ 133,901
 Fund Balances, July 1, as Reported.....	 \$ 441,613	 \$ 12,715,574	 \$ 13,157,187
Less: Net Pension Elimination.....	-	(12,605,876)	(12,605,876)
 Fund Balances, July 1, as Restated.....	 \$ 441,613	 \$ 109,698	 \$ 551,311
 Fund Balances, June 30.....	 \$ 548,273	 \$ 136,939	 \$ 685,212

STATE OF MINNESOTA

DEFINED BENEFIT PENSION FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
JUNE 30, 1997
(IN THOUSANDS)

ASSETS	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				TEACHERS RETIREMENT ASSOCIATION		MINNESOTA STATE RETIREMENT SYSTEM						TOTALS JUNE 30, 1997
	PUBLIC EMPLOYEES RETIREMENT	POLICE AND FIRE	POLICE AND FIRE CONSOLIDATION	TEACHERS RETIREMENT	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDICIAL RETIREMENT	ELECTIVE STATE OFFICERS	LEGISLATIVE RETIREMENT			
Cash and Cash Equivalents.....	\$ 161,456	\$ 1,522	\$ -	\$ 152,601	\$ 76,778	\$ 11,204	\$ 10,167	\$ 478	\$ -	\$ -	\$ -	\$ -	\$ 414,206
Receivables:													
Employer Contributions.....	\$ -	\$ -	\$ -	\$ 35,481	\$ 3,378	\$ 367	\$ 333	\$ 117	\$ -	\$ -	\$ -	\$ -	\$ 39,676
Member Contributions.....	-	-	-	-	3,289	220	243	34	2	-	-	-	3,788
Interfund Receivables.....	561	10,589	-	-	2,484	-	3,715	-	459	6,453	24,261	-	24,261
Other Receivables.....	432	95	5,412	111	38	4	105	2	-	-	-	-	6,199
Accrued Interest and Dividends.....	-	-	-	-	80	6	5	1	-	-	-	-	92
Total Receivables.....	\$ 993	\$ 10,684	\$ 5,412	\$ 35,592	\$ 9,269	\$ 597	\$ 4,401	\$ 154	\$ 461	\$ 6,453	\$ 74,016	\$ 74,016	
Investments, at fair value:													
Fixed Income Pool.....	\$ 763,849	\$ 363,217	\$ 102,763	\$ 1,492,576	\$ 732,839	\$ 52,124	\$ 39,862	\$ 4,323	\$ -	\$ -	\$ -	\$ -	\$ 3,551,553
Equity in Pension Investment Trust Funds.....	4,342,379	583,618	580,364	6,053,656	1,995,454	192,674	80,365	72,435	-	26,187	13,927,132	-	
External Equity Pool.....	1,240,546	589,892	166,926	-	1,190,185	84,654	64,740	7,021	-	-	3,343,964	-	
Global Equity Pool.....	552,793	262,858	74,377	1,081,913	530,353	37,722	28,849	3,128	-	-	2,571,993	-	
Passive Equity Pool.....	524,368	249,342	70,559	-	503,081	35,783	27,365	2,968	-	-	1,413,466	-	
Domestic Equity Pool.....	-	-	-	2,438,384	-	-	-	-	-	-	2,438,384	-	
Indexed Equity Pool.....	-	-	-	1,031,804	-	-	-	-	-	-	1,031,804	-	
Venture Capital.....	164,668	78,301	22,153	335,645	157,983	11,237	8,593	932	-	-	779,512	-	
Real Estate Pool.....	116,978	55,624	15,741	238,450	112,232	7,983	6,105	662	-	-	553,775	-	
Resources Pool.....	32,096	15,262	4,317	65,421	30,792	2,190	1,675	182	-	-	151,935	-	
Total Investments.....	\$ 7,737,677	\$ 2,198,114	\$ 1,037,200	\$ 12,737,849	\$ 5,252,919	\$ 424,367	\$ 257,554	\$ 91,651	\$ -	\$ 26,187	\$ 29,763,518	\$ 29,763,518	
Securities Lending Collateral.....	\$ 958,469	\$ 258,783	\$ 124,214	\$ 1,575,987	\$ 632,331	\$ 52,109	\$ 30,771	\$ 11,339	\$ -	\$ 3,187	\$ 3,647,190	\$ 3,647,190	
Fixed Assets, net of accumulated depreciation.....	517	-	-	878	155	-	-	-	-	-	-	-	1,550
Total Assets.....	\$ 8,859,112	\$ 2,469,103	\$ 1,166,826	\$ 14,502,907	\$ 5,971,452	\$ 488,277	\$ 302,893	\$ 103,622	\$ 461	\$ 35,827	\$ 33,900,480	\$ 33,900,480	
LIABILITIES													
Accounts Payables.....	\$ 2,028	\$ 598	\$ 167	\$ 5,283	\$ 1,790	\$ 95	\$ 77	\$ 22	\$ 3	\$ 5	\$ 10,068	\$ 10,068	
Interfund Payables.....	16	390	10,700	-	3,715	54	156	28	1	1,226	16,286	-	
Compensated Absences Payable.....	405	-	-	327	-	-	-	-	-	-	732	-	
Securities Lending Collateral.....	958,469	258,783	124,214	1,575,987	632,331	52,109	30,771	11,339	-	3,187	3,647,190	3,647,190	
Total Liabilities.....	\$ 960,918	\$ 259,771	\$ 135,081	\$ 1,581,597	\$ 637,836	\$ 52,258	\$ 31,004	\$ 11,389	\$ 4	\$ 4,418	\$ 3,674,276	\$ 3,674,276	
Net Assets Held in Trust for Pension Benefits.....	\$ 7,898,194	\$ 2,209,332	\$ 1,031,745	\$ 12,921,310	\$ 5,333,616	\$ 436,019	\$ 271,889	\$ 92,233	\$ 457	\$ 31,409	\$ 30,226,204	\$ 30,226,204	

A Schedule of Funding Progress for State Patrol Retirement, Correctional Employees Retirement, Judicial Retirement, Elective State Officers and Legislative Retirement is presented on page 54.

STATE OF MINNESOTA

DEFINED BENEFIT PENSION FUNDS
COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				TEACHERS RETIREMENT ASSOCIATION				MINNESOTA STATE RETIREMENT SYSTEM						TOTALS FOR THE YEAR ENDED JUNE 30, 1997						
	PUBLIC EMPLOYEES RETIREMENT		POLICE AND FIRE CONSOLIDATION		TEACHERS RETIREMENT		STATE EMPLOYEES RETIREMENT		STATE PATROL RETIREMENT		CORRECTIONAL EMPLOYEES RETIREMENT		JUDICIAL RETIREMENT		ELECTIVE STATE OFFICERS		LEGISLATIVE RETIREMENT				
	Employer	Member	136,686	39,508	13,509	154,160	66,568	6,151	9,129	6,632	167	3,190	435,700	Employer	Member	63,848	3,746	5,507	1,457	42	684
Additions:																					
Contributions:																					
Employer	\$ 136,686		\$ 39,508		\$ 13,509		\$ 154,160		\$ 66,568	\$ 6,151	\$ 9,129	\$ 6,632	\$ 167	\$ 3,190		\$ 435,700					
Member	128,234		26,354		3,950		191,670		63,848	3,746	5,507	1,457	42	684		425,492					
Contributions from Other Sources	-		-		-		-		-	-	-	10	-	-		10					
Total Contributions	\$ 264,920		\$ 65,862		\$ 17,459		\$ 345,830		\$ 130,416	\$ 9,897	\$ 14,636	\$ 8,099	\$ 209	\$ 3,874		\$ 861,202					
Investment Income:																					
Net Appreciation in fair value of investments	\$ 685,804		\$ 200,551		\$ 91,076		\$ 1,167,322		\$ 465,422	\$ 36,986	\$ 23,592	\$ 7,997	\$ -	\$ 2,266		\$ 2,681,016					
Interest	59,035		28,380		8,136		116,088		55,801	4,042	3,156	456	-	-		275,094					
Dividends	243,544		115,473		32,078		495,278		236,216	16,802	12,802	1,378	-	-		1,153,571					
Distributed Pension Investment Trust Fund Income	402,949		49,852		49,059		522,022		181,851	18,029	6,919	6,219	-	2,072		1,238,972					
Less: Investment Expense	(4,561)		(2,161)		(604)		(9,207)		(4,398)	(313)	(239)	(26)	-	-		(21,509)					
Net Investment Income	\$ 1,386,771		\$ 392,095		\$ 179,745		\$ 2,291,503		\$ 934,892	\$ 75,546	\$ 46,230	\$ 16,024	\$ -	\$ 4,338		\$ 5,327,144					
Securities Lending Revenues (Expenses):																					
Securities Lending Income	\$ 49,197		\$ 13,135		\$ 6,320		\$ 80,012		\$ 32,253	\$ 2,665	\$ 1,562	\$ 585	\$ -	\$ 165		\$ 185,894					
Borrower Rebates	(45,059)		(12,012)		(5,788)		(73,393)		(29,514)	(2,440)	(1,429)	(537)	-	(152)		(170,324)					
Management Fees	(1,314)		(357)		(169)		(2,101)		(873)	(72)	(42)	(15)	-	(4)		(4,947)					
Net Securities Lending Revenue	\$ 2,824		\$ 766		\$ 363		\$ 4,518		\$ 1,866	\$ 153	\$ 91	\$ 33	\$ -	\$ 9		\$ 10,623					
Total Investment Income	\$ 1,389,595		\$ 392,861		\$ 180,108		\$ 2,296,021		\$ 936,758	\$ 75,699	\$ 46,321	\$ 16,057	\$ -	\$ 4,347		\$ 5,337,767					
Transfers from Other Funds	\$ -		\$ -		\$ -		\$ -		\$ 2,455	\$ -	\$ 3,715	\$ -	\$ -	\$ -		\$ 6,170					
Other Additions	1,133		59		33,647		705		-	-	-	-	-	-		35,544					
Total Additions	\$ 1,655,648		\$ 458,782		\$ 231,214		\$ 2,642,556		\$ 1,069,629	\$ 85,596	\$ 64,672	\$ 24,156	\$ 209	\$ 8,221		\$ 6,240,683					
Deductions:																					
Benefits	\$ 342,155		\$ 43,045		\$ 47,322		\$ 427,588		\$ 150,676	\$ 14,642	\$ 6,268	\$ 7,560	\$ 160	\$ 2,639		\$ 1,042,055					
Refunds of Contributions	16,267		933		8		10,899		14,649	30	367	-	-	119		43,272					
Administrative Expenses	6,786		587		297		5,191		2,714	208	255	72	5	50		16,165					
Transfers to Other Funds	-		-		-		-		4,617	-	24	-	-	-		4,641					
Total Deductions	\$ 365,208		\$ 44,565		\$ 47,627		\$ 443,678		\$ 172,656	\$ 14,880	\$ 6,914	\$ 7,632	\$ 165	\$ 2,808		\$ 1,106,133					
Net Increase	\$ 1,290,440		\$ 414,217		\$ 183,587		\$ 2,198,878		\$ 896,973	\$ 70,716	\$ 57,758	\$ 16,524	\$ 44	\$ 5,413		\$ 5,134,550					
Net Assets Held In Trust for Pension Benefits:																					
July 1, as Reported	\$ 5,702,247		\$ 1,592,671		\$ 746,671		\$ 9,385,746		\$ 3,896,040	\$ 318,335	\$ 189,460	\$ 64,514	\$ 413	\$ 22,532		\$ 21,918,629					
Prior Period Adjustments	905,507		202,444		101,487		1,336,686		540,603	46,968	24,671	11,195	-	3,464		3,173,025					
July 1, as Restated	\$ 6,607,754		\$ 1,795,115		\$ 848,158		\$ 10,722,432		\$ 4,436,643	\$ 365,303	\$ 214,131	\$ 75,709	\$ 413	\$ 25,996		\$ 25,091,654					
Net Assets Held in Trust for Pension Benefits, June 30	\$ 7,898,194		\$ 2,209,332		\$ 1,031,745		\$ 12,921,310		\$ 5,333,616	\$ 436,019	\$ 271,889	\$ 92,233	\$ 457	\$ 31,409		\$ 30,226,204					

STATE OF MINNESOTA

DEFINED CONTRIBUTION FUNDS
COMBINING BALANCE SHEET

JUNE 30, 1997
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			<u>TOTALS</u> <u>JUNE 30, 1997</u>
	UNCLASSIFIED EMPLOYEES RETIREMENT	COLLEGE AND UNIVERSITY RETIREMENT		
ASSETS				
Cash and Cash Equivalents.....	\$ 20,615	\$ 13,510	\$ 34,125	
Investments.....	-	130,653	130,653	
Equity in Pension Investment Trust Funds.....	169,924	215,471	385,395	
Accounts Receivable.....	308	-	308	
Securities Lending Collateral.....	16,357	21,259	37,616	
Total Assets.....	\$ 207,204	\$ 380,893	\$ 588,097	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 322	\$ 225	\$ 547	
Interfund Payables.....	1,661	-	1,661	
Securities Lending Collateral.....	16,357	21,259	37,616	
Total Liabilities.....	\$ 18,340	\$ 21,484	\$ 39,824	
Fund Balances:				
Reserved for Pension Benefits.....	\$ 188,864	\$ 359,409	\$ 548,273	
Total Reserved Fund Balances.....	\$ 188,864	\$ 359,409	\$ 548,273	
Total Liabilities and Fund Balances.....	\$ 207,204	\$ 380,893	\$ 588,097	

STATE OF MINNESOTA
Principal Officials

EXECUTIVE BRANCH

GOVERNOR:	Arne H. Carlson
LIEUTENANT GOVERNOR:	Joanne E. Benson
ATTORNEY GENERAL:	Hubert H. Humphrey, III
STATE TREASURER:	Michael A. McGrath
SECRETARY OF STATE:	Joan Anderson Growe
STATE AUDITOR:	Judith H. Dutcher

LEGISLATIVE BRANCH

SPEAKER OF THE HOUSE OF REPRESENTATIVES
Phil Carruthers

PRESIDENT OF THE SENATE
Allan H. Spear

JUDICIAL BRANCH

CHIEF JUSTICE OF THE SUPREME COURT
A.M. Keith

STATE OF MINNESOTA

DEFINED CONTRIBUTION FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		TOTALS FOR THE YEAR ENDED JUNE 30, 1997
	UNCLASSIFIED EMPLOYEES	COLLEGE AND UNIVERSITY RETIREMENT	
Operating Revenues:			
Employer Contributions.....	\$ 4,798	\$ 12,999	\$ 17,797
Employee Contributions.....	3,244	11,283	14,527
Investment Income.....	32,874	1,770	34,644
Realized/Unrealized Gain on Investments in Pension			
Investment Trust Fund.....	-	57,484	57,484
Other Income.....	12	1,089	1,101
Net Operating Revenues.....	<u>\$ 40,928</u>	<u>\$ 84,625</u>	<u>\$ 125,553</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 918	\$ 1,234	\$ 2,152
Borrower Rebates.....	(843)	(1,139)	(1,982)
Management Fees.....	(23)	(28)	(51)
Net Securities Lending Revenues.....	<u>\$ 52</u>	<u>\$ 67</u>	<u>\$ 119</u>
Total Operating Revenues.....	<u>\$ 40,980</u>	<u>\$ 84,692</u>	<u>\$ 125,672</u>
Operating Expenses:			
Refunded Contributions.....	\$ 3,585	\$ 12,951	\$ 16,536
Purchased Services.....	28	834	862
Salaries and Fringe Benefits.....	74	-	74
Supplies and Materials.....	10	-	10
Indirect Costs.....	1	-	1
Total Operating Expenses.....	<u>\$ 3,698</u>	<u>\$ 13,785</u>	<u>\$ 17,483</u>
Operating Income.....	<u>\$ 37,282</u>	<u>\$ 70,907</u>	<u>\$ 108,189</u>
Operating Transfers-In.....	902	-	902
Operating Transfers-Out.....	(2,431)	-	(2,431)
Net Income (Loss).....	<u>\$ 35,753</u>	<u>\$ 70,907</u>	<u>\$ 106,660</u>
Fund Balances, July 1.....	<u>\$ 153,111</u>	<u>\$ 288,502</u>	<u>\$ 441,613</u>
Fund Balances, June 30.....	<u>\$ 188,864</u>	<u>\$ 359,409</u>	<u>\$ 548,273</u>

STATE OF MINNESOTA

**PENSION INVESTMENT TRUST FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 1997

(IN THOUSANDS)

	<u>MINNESOTA SUPPLEMENTAL INVESTMENT</u>	<u>MINNESOTA POST RETIREMENT INVESTMENT</u>	<u>LESS ELIMINATIONS</u>	<u>TOTALS JUNE 30, 1997</u>
ASSETS				
Cash and Cash Equivalents.....	\$ 82,025	\$ 399,302	\$ 471,617	\$ 9,710
Investments.....	905,821	13,928,313	14,707,192	126,942
Accrued Investment Income.....	2,203	1,183	3,078	308
Securities Lending Collateral.....	83,549	1,815,046	1,885,873	12,722
Total Assets.....	\$ 1,073,598	\$ 16,143,844	\$ 17,067,760	\$ 149,682
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 179	\$ 5,341	\$ 5,499	\$ 21
Securities Lending Collateral.....	83,549	1,815,046	1,885,873	12,722
Total Liabilities.....	\$ 83,728	\$ 1,820,387	\$ 1,891,372	\$ 12,743
Fund Balances:				
Reserved for Pension Benefits.....	\$ 989,870	\$ 14,323,457	\$ 15,176,388	\$ 136,939
Total Fund Balances.....	\$ 989,870	\$ 14,323,457	\$ 15,176,388	\$ 136,939
Total Liabilities and Fund Balances.....	\$ 1,073,598	\$ 16,143,844	\$ 17,067,760	\$ 149,682

STATE OF MINNESOTA

**PENSION INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES**

**YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)**

	<u>MINNESOTA SUPPLEMENTAL INVESTMENT</u>	<u>MINNESOTA POST RETIREMENT INVESTMENT</u>	<u>LESS ELIMINATIONS</u>	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Operating Revenues				
Investment Income.....	<u>\$ 54,738</u>	<u>\$ 1,187,305</u>	<u>\$ 1,234,631</u>	<u>\$ 7,412</u>
Realized Gains (Losses) on Investments				
Proceeds from Security Sales	<u>\$ 245,839</u>	<u>\$ 10,941,721</u>	<u>\$ 11,152,738</u>	<u>\$ 34,822</u>
Cost of Securities Sold.....	<u>210,783</u>	<u>10,205,871</u>	<u>10,386,790</u>	<u>29,864</u>
Total Realized Gains (Losses)	<u>\$ 35,056</u>	<u>\$ 735,850</u>	<u>\$ 765,948</u>	<u>\$ 4,958</u>
Unrealized Gains (Losses)				
Beginning of Period	<u>\$ 42,308</u>	<u>\$ 698,851</u>	<u>\$ 735,188</u>	<u>\$ 5,971</u>
End of Period.....	<u>126,951</u>	<u>1,225,579</u>	<u>1,333,596</u>	<u>18,934</u>
Increase (Decrease) in Unrealized Appreciation.....	<u>\$ 84,643</u>	<u>\$ 526,728</u>	<u>\$ 598,408</u>	<u>\$ 12,963</u>
Securities Lending Revenues (Expenses):				
Securities Lending Income	<u>\$ 4,664</u>	<u>\$ 94,397</u>	<u>\$ 98,335</u>	<u>\$ 726</u>
Borrower Rebates	<u>(4,283)</u>	<u>(86,624)</u>	<u>(90,237)</u>	<u>(670)</u>
Management Fees	<u>(115)</u>	<u>(2,463)</u>	<u>(2,562)</u>	<u>(16)</u>
Net Securities Lending Revenues.....	<u>\$ 266</u>	<u>\$ 5,310</u>	<u>\$ 5,536</u>	<u>\$ 40</u>
Total Operating Revenues	<u>\$ 174,703</u>	<u>\$ 2,455,193</u>	<u>\$ 2,604,523</u>	<u>\$ 25,373</u>
Operating Expenses.				
Investment Management Fees	<u>\$ 646</u>	<u>\$ 20,319</u>	<u>\$ 20,888</u>	<u>\$ 77</u>
Operating Income (Loss).....	<u>\$ 174,057</u>	<u>\$ 2,434,874</u>	<u>\$ 2,583,635</u>	<u>\$ 25,296</u>
Nonoperating Revenues (Expenses):				
Participant Contributions	<u>\$ 57,293</u>	<u>\$ 974,011</u>	<u>\$ 1,026,665</u>	<u>\$ 4,639</u>
Participant Withdrawals	<u>(40,861)</u>	<u>(1,001,621)</u>	<u>(1,039,788)</u>	<u>(2,694)</u>
Net Nonoperating Revenues (Expenses).....	<u>\$ 16,432</u>	<u>\$ (27,610)</u>	<u>\$ (13,123)</u>	<u>\$ 1,945</u>
Net Income (Loss).....	<u>\$ 190,489</u>	<u>\$ 2,407,264</u>	<u>\$ 2,570,512</u>	<u>\$ 27,241</u>
Fund Balances, July 1, as Reported.....	<u>\$ 799,381</u>	<u>\$ 11,916,193</u>	<u>\$ -</u>	<u>\$ 12,715,574</u>
Less Net Pension Elimination	<u>-</u>	<u>-</u>	<u>12,605,876</u>	<u>(12,605,876)</u>
Fund Balances, July 1, as Restated	<u>\$ 799,381</u>	<u>\$ 11,916,193</u>	<u>\$ 12,605,876</u>	<u>\$ 109,698</u>
Fund Balances, June 30	<u>\$ 989,870</u>	<u>\$ 14,323,457</u>	<u>\$ 2,570,512</u>	<u>\$ 12,742,815</u>

STATE OF MINNESOTA**NONEXPENDABLE TRUST FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 1997

(IN THOUSANDS)

	PERMANENT SCHOOL	ENVIRONMENT AND NATURAL RESOURCES TRUST	TOTALS JUNE 30, 1997
ASSETS			
Cash and Cash Equivalents.....	\$ 35,834	\$ 7,466	\$ 43,300
Investments.....	419,896	134,815	554,711
Accounts Receivable.....	6,130	-	6,130
Interfund Receivables.....	-	4,430	4,430
Accrued Investment Income.....	4,316	936	5,252
Fixed Assets (Net).....	<u>15,412</u>	<u>-</u>	<u>15,412</u>
Total Assets.....	<u>\$ 481,588</u>	<u>\$ 147,647</u>	<u>\$ 629,235</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable.....	\$ 6	\$ -	\$ 6
Interfund Payables.....	<u>13,868</u>	<u>1,575</u>	<u>15,443</u>
Total Liabilities.....	<u>\$ 13,874</u>	<u>\$ 1,575</u>	<u>\$ 15,449</u>
Fund Balances:			
Reserved for Trust Principal.....	<u>\$ 467,714</u>	<u>\$ 146,072</u>	<u>\$ 613,786</u>
Total Fund Balance.....	<u>\$ 467,714</u>	<u>\$ 146,072</u>	<u>\$ 613,786</u>
Total Liabilities and Fund Balances.....	<u>\$ 481,588</u>	<u>\$ 147,647</u>	<u>\$ 629,235</u>

STATE OF MINNESOTA

NONEXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	PERMANENT SCHOOL	ENVIRONMENT AND NATURAL RESOURCES TRUST	TOTALS FOR THE YEAR ENDED JUNE 30, 1997
Operating Revenues:			
Net Sales.....	\$ 7,514	\$ -	\$ 7,514
Investment Income.....	26,292	7,904	34,196
Other Income.....	704	-	704
Total Operating Revenues.....	\$ 34,510	\$ 7,904	\$ 42,414
Operating Expenses:			
Purchased Services.....	\$ 88	\$ -	\$ 88
Investment Management Fees.....	20	-	20
Salaries and Fringe Benefits.....	4,518	-	4,518
Total Operating Expenses.....	\$ 4,626	\$ -	\$ 4,626
Operating Income.....	\$ 29,884	\$ 7,904	\$ 37,788
Nonoperating Revenues (Expenses):			
Gain on Sale of Fixed Assets.....	\$ 49	\$ -	\$ 49
Total Nonoperating Revenues.....	\$ 49	\$ -	\$ 49
Income Before Operating Transfers.....	\$ 29,933	\$ 7,904	\$ 37,837
Operating Transfers-In.....	-	25,092	25,092
Operating Transfers-Out.....	(29,664)	(7,904)	(37,568)
Net Income.....	\$ 269	\$ 25,092	\$ 25,361
Fund Balances, July 1.....	467,445	119,628	587,073
Residual Equity Transfers-In.....	-	1,352	1,352
Fund Balances, June 30.....	\$ 467,714	\$ 146,072	\$ 613,786

STATE OF MINNESOTA

NONEXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	<u>PERMANENT SCHOOL</u>	<u>ENVIRONMENT AND NATURAL RESOURCES TRUST</u>	<u>TOTALS FOR THE YEAR ENDED JUNE 30, 1997</u>
Cash Flows from Operating Activities:			
Operating Income.....	<u>\$ 29,884</u>	<u>\$ 7,904</u>	<u>\$ 37,788</u>
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Investment Income.....	<u>\$ (26,292)</u>	<u>\$ (7,904)</u>	<u>\$ (34,196)</u>
Change in Assets and Liabilities:			
Accounts Receivable.....	<u>629</u>	<u>-</u>	<u>629</u>
Interfund Payables.....	<u>(472)</u>	<u>-</u>	<u>(472)</u>
Accounts Payable.....	<u>6</u>	<u>-</u>	<u>6</u>
Net Reconciling Items to be Added (Deducted) from Operating Income.....			
from Operating Income.....	<u>\$ (26,129)</u>	<u>\$ (7,904)</u>	<u>\$ (34,033)</u>
Net Cash Flows from Operating Activities.....	<u>\$ 3,755</u>	<u>\$ -</u>	<u>\$ 3,755</u>
Cash Flows from Noncapital Financing Activities:			
Operating Transfers-In.....	<u>\$ -</u>	<u>\$ 23,432</u>	<u>\$ 23,432</u>
Operating Transfers-Out.....	<u>(20,864)</u>	<u>(13,544)</u>	<u>(34,408)</u>
Residual Equity Transfers-In.....	<u>-</u>	<u>1,352</u>	<u>1,352</u>
Net Cash Flows from Noncapital Financing Activities.....	<u>\$ (20,864)</u>	<u>\$ 11,240</u>	<u>\$ (9,624)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Sale of Fixed Assets.....	<u>\$ 882</u>	<u>\$ -</u>	<u>\$ 882</u>
Net Cash Flows from Capital and Related Financing Activities.....	<u>\$ 882</u>	<u>\$ -</u>	<u>\$ 882</u>
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments.....	<u>\$ -</u>	<u>\$ 5,256</u>	<u>\$ 5,256</u>
Purchase of Investments.....	<u>(8,000)</u>	<u>(26,104)</u>	<u>(34,104)</u>
Investment Earnings.....	<u>37,017</u>	<u>6,968</u>	<u>43,985</u>
Net Cash Flows from Investing Activities.....	<u>\$ 29,017</u>	<u>\$ (13,880)</u>	<u>\$ 15,137</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ 12,790</u>	<u>\$ (2,640)</u>	<u>\$ 10,150</u>
Cash and Cash Equivalents, July 1.....	<u>\$ 23,044</u>	<u>\$ 10,106</u>	<u>\$ 33,150</u>
Cash and Cash Equivalents, June 30.....	<u>\$ 35,834</u>	<u>\$ 7,466</u>	<u>\$ 43,300</u>

STATE OF MINNESOTA

EXPENDABLE TRUST FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997
(IN THOUSANDS)

	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	ENDOWMENT SCHOOL	ENDOWMENT	ENVIRONMENT AND NATURAL RESOURCES TRUST	NORTHEAST MINNESOTA ECONOMIC PROTECTION	REEMPLOYMENT INSURANCE	TOTALS JUNE 30, 1997
ASSETS								
Cash and Cash Equivalents.....	\$ 115,629	\$ 220,774	\$ -	\$ 10,342	\$ 8,632	\$ 82,930	\$ 494,763	\$ 933,070
Investments.....	-	-	-	3,312	-	-	-	3,312
Accounts Receivable.....	363	875	-	922	-	74	10,896	13,130
Interfund Receivables.....	6,200	21,095	9,430	99	1,575	-	-	38,399
Accrued Investment/Interest Income.....	-	-	-	1	-	92	-	93
Federal Aid Receivable.....	-	-	-	-	-	-	253	253
Inventories.....	-	-	-	-	-	2,197	-	2,197
Loans and Notes Receivable.....	-	-	-	-	-	20,981	-	20,981
Total Assets.....	\$ 122,192	\$ 242,744	\$ 9,430	\$ 14,676	\$ 10,207	\$ 106,274	\$ 505,912	\$ 1,011,435
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable.....	\$ 2,585	\$ 12,524	\$ -	\$ 2,795	\$ 1,281	\$ 427	\$ 9,355	\$ 28,967
Interfund Payables.....	174	561	-	67	-	500	5,248	6,550
Deferred Revenue.....	-	-	-	2	-	-	3,005	3,007
Compensated Absences Payable.....	154	346	-	313	79	51	-	943
Funds Held in Trust.....	-	-	-	13	-	-	-	13
Total Liabilities.....	\$ 2,913	\$ 13,431	\$ -	\$ 3,190	\$ 1,360	\$ 978	\$ 17,608	\$ 39,480
Fund Balances:								
Reserved Fund Balances:								
Reserved for Encumbrances.....	\$ 373	\$ 1,399	\$ -	\$ 521	\$ -	\$ 6,421	\$ -	\$ 8,714
Reserved for Inventory.....	-	-	-	-	-	2,197	-	2,197
Reserved for Long-Term Receivables.....	-	-	-	-	-	20,031	-	20,031
Reserved for Local Governments.....	118,906	227,914	9,430	-	-	-	-	356,250
Total Reserved Fund Balances.....	\$ 119,279	\$ 229,313	\$ 9,430	\$ 521	\$ -	\$ 28,649	\$ -	\$ 387,192
Unreserved Fund Balances:								
Designated for Fund Purposes.....	-	-	-	10,965	8,847	76,647	488,304	584,763
Total Fund Balances.....	\$ 119,279	\$ 229,313	\$ 9,430	\$ 11,486	\$ 8,847	\$ 105,296	\$ 488,304	\$ 971,955
Total Liabilities and Fund Balances.....	\$ 122,192	\$ 242,744	\$ 9,430	\$ 14,676	\$ 10,207	\$ 106,274	\$ 505,912	\$ 1,011,435

STATE OF MINNESOTA

EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	MUNICIPAL STATE-AID <u>STREET</u>	COUNTY STATE-AID <u>HIGHWAY</u>	ENDOWMENT <u>SCHOOL</u>	ENDOWMENT	ENVIRONMENT AND NATURAL RESOURCES <u>TRUST</u>	NORTHEAST MINNESOTA ECONOMIC PROTECTION	REEMPLOYMENT <u>INSURANCE</u>	TOTALS FOR THE YEAR ENDED <u>JUNE 30, 1997</u>
Net Revenues								
Unemployment Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 386,830	\$ 386,830	\$ 386,830
Mining Taxes	-	-	-	-	-	5,324	-	5,324
Federal Revenues	-	-	-	5	-	-	6,464	6,469
Investment/Interest Income	6,374	13,752	-	444	497	5,000	32,816	58,883
Gifts and Donations	-	-	-	12,036	-	-	-	12,036
Other Revenues	-	-	-	7,962	-	217	430	8,609
Net Revenues	\$ 6,374	\$ 13,752	\$ -	\$ 20,447	\$ 497	\$ 10,541	\$ 426,540	\$ 478,151
Expenditures								
Current:								
Protection of Persons and Property	\$ -	\$ -	\$ -	\$ 96	\$ -	\$ -	\$ -	\$ 96
Transportation	2,307	5,472	-	-	41	-	-	7,820
Resource Management	-	-	-	1,535	2,864	-	-	4,399
Economic and Manpower Development	-	-	-	195	-	1,770	-	1,965
Education	-	-	-	7,448	-	-	-	7,448
Health and Social Services	-	-	-	292	-	-	-	292
General Government	-	-	-	1,983	695	-	-	2,678
Total Current Expenditures	\$ 2,307	\$ 5,472	\$ -	\$ 11,549	\$ 3,600	\$ 1,770	\$ -	\$ 24,698
Capital Outlay	-	-	-	4,829	2,486	-	-	7,315
Grants and Subsidies	105,395	350,329	30,602	7,706	826	2,047	379,042	875,947
Total Expenditures	\$ 107,702	\$ 355,801	\$ 30,602	\$ 24,084	\$ 6,912	\$ 3,817	\$ 379,042	\$ 907,960
Excess of Revenues Over (Under) Expenditures	\$ (101,328)	\$ (342,049)	\$ (30,602)	\$ (3,637)	\$ (6,415)	\$ 6,724	\$ 47,498	\$ (429,809)
Other Financing Sources (Uses)								
Operating Transfers-In	\$ 89,941	\$ 309,018	\$ 29,664	\$ 1,930	\$ 7,904	\$ 890	\$ -	\$ 439,347
Operating Transfers to Debt Service	-	-	-	(1,414)	-	-	-	(1,414)
Operating Transfers-Out	-	-	-	(67)	-	(10,000)	-	(10,067)
Transfers-Out to Component Units	-	-	-	-	(2,296)	-	-	(2,296)
Net Other Financing Sources (Uses)	\$ 89,941	\$ 309,018	\$ 29,664	\$ 449	\$ 5,608	\$ (9,110)	\$ -	\$ 425,570
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (11,387)	\$ (33,031)	\$ (938)	\$ (3,188)	\$ (807)	\$ (2,386)	\$ 47,498	\$ (4,239)
Fund Balances, July 1	\$ 130,666	\$ 262,344	\$ 10,368	\$ 14,674	\$ 11,006	\$ 107,682	\$ 440,806	\$ 977,546
Residual Equity Transfers-Out	-	-	-	-	(1,352)	-	-	(1,352)
Fund Balances, June 30	\$ 119,279	\$ 229,313	\$ 9,430	\$ 11,486	\$ 8,847	\$ 105,296	\$ 488,304	\$ 971,955

STATE OF MINNESOTA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	BALANCE JULY 1, 1996	INCREASES	DECREASES	BALANCE JUNE 30, 1997
DEFERRED COMPENSATION				
ASSETS				
Cash and Cash Equivalents	\$ 4,413	\$ 1,169,658	\$ 1,126,575	\$ 47,496
Investments	988,354	224,466	75,591	1,137,229
Accounts Receivable	4,993	4,328	4,992	4,329
Securities Lending Collateral	-	33,211	-	33,211
Equity in Pension Investment Trust Funds	346,735	217,212	171,374	392,573
Total Assets	<u>\$ 1,344,495</u>	<u>\$ 1,648,875</u>	<u>\$ 1,378,532</u>	<u>\$ 1,614,838</u>
LIABILITIES				
Accounts Payable	\$ 410	\$ 446	\$ 410	\$ 446
Interfund Payables	577	603	577	603
Securities Lending Collateral	-	33,211	-	33,211
Funds Held in Trust	1,343,508	661,699	424,629	1,580,578
Total Liabilities	<u>\$ 1,344,495</u>	<u>\$ 695,959</u>	<u>\$ 425,616</u>	<u>\$ 1,614,838</u>
DISBURSEMENT CLEARING				
ASSETS				
Cash and Cash Equivalents	\$ 145,161	\$ 18,785,722	\$ 18,797,353	\$ 133,530
Total Assets	<u>\$ 145,161</u>	<u>\$ 18,785,722</u>	<u>\$ 18,797,353</u>	<u>\$ 133,530</u>
LIABILITIES				
Warrants Payable	\$ 145,161	\$ 18,789,552	\$ 18,801,183	\$ 133,530
Total Liabilities	<u>\$ 145,161</u>	<u>\$ 18,789,552</u>	<u>\$ 18,801,183</u>	<u>\$ 133,530</u>
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents	\$ 34,319	\$ 325,035	\$ 322,220	\$ 37,134
Investments	2,670	4,138	2,670	4,138
Accounts Receivable	17,407	17,094	17,407	17,094
Interfund Receivables	5,143	1,262	5,143	1,262
Accrued Investment Income	23	-	23	-
Total Assets	<u>\$ 59,562</u>	<u>\$ 347,529</u>	<u>\$ 347,463</u>	<u>\$ 59,628</u>
LIABILITIES				
Accounts Payable	\$ 20,479	\$ 18,351	\$ 20,479	\$ 18,351
Interfund Payables	9	1,498	9	1,498
Funds Held in Trust	39,074	368,017	367,312	39,779
Total Liabilities	<u>\$ 59,562</u>	<u>\$ 387,866</u>	<u>\$ 387,800</u>	<u>\$ 59,628</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 183,893	\$ 20,280,415	\$ 20,246,148	\$ 218,160
Investments	991,024	228,604	78,261	1,141,367
Accounts Receivable	22,400	21,422	22,399	21,423
Interfund Receivables	5,143	1,262	5,143	1,262
Accrued Investment Income	23	-	23	-
Securities Lending Collateral	-	33,211	-	33,211
Equity in Pension Investment Trust Funds	346,735	217,212	171,374	392,573
Total Assets	<u>\$ 1,549,218</u>	<u>\$ 20,782,126</u>	<u>\$ 20,523,348</u>	<u>\$ 1,807,996</u>
LIABILITIES				
Warrants Payable	\$ 145,161	\$ 18,789,552	\$ 18,801,183	\$ 133,530
Accounts Payable	20,889	18,797	20,889	18,797
Interfund Payables	586	2,101	586	2,101
Securities Lending Collateral	-	33,211	-	33,211
Funds Held in Trust	1,382,582	1,029,716	791,941	1,620,357
Total Liabilities	<u>\$ 1,549,218</u>	<u>\$ 19,873,377</u>	<u>\$ 19,614,599</u>	<u>\$ 1,807,996</u>

STATE OF MINNESOTA

**SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCES**
JUNE 30, 1997
(IN THOUSANDS)

TOTALS

GENERAL FIXED ASSETS:

Land.....	\$ 298,472
Buildings.....	1,843,664
Equipment.....	425,879
Construction in Progress.....	133,735
 Total General Fixed Assets.....	 <u>\$ 2,701,750</u>

INVESTMENT IN GENERAL FIXED ASSETS:

Investment in Assets Acquired Prior to July 1, 1984 - Source Unidentified.....	\$ 833,716
 Expenditures from:	
General Fund.....	587,702
Special Revenue Funds:	
Trunk Highway Fund.....	304,723
Highway User Tax Distribution Fund.....	445
State Airports Fund.....	8,417
Federal Fund.....	106,533
Environmental Fund.....	2,228
Petroleum Tank Cleanup.....	93
Natural Resources Funds.....	28,162
Special Compensation Fund.....	2,729
Health Care Access Fund.....	636
Iron Range Resources and Rehabilitation Fund.....	23,274
Miscellaneous Special Revenue Fund.....	59,371
Capital Projects Funds:	
General Project Fund.....	6,142
Building Fund.....	667,280
Expendable Trust Funds:	
Endowment Fund.....	21,876
Environmental and Natural Resource Fund.....	11,361
Northeast Minnesota Economic Protection Fund.....	6,034
Donations.....	31,028
 Total Investment in General Fixed Assets.....	 <u>\$ 2,701,750</u>



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

Members of the Legislature

The Honorable Arne Carlson, Governor

Wayne Simoneau, Commissioner, Department of Finance

We have audited the accompanying general purpose financial statements of the State of Minnesota as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Metropolitan Council, Higher Education Services Office, Housing Finance Agency, Public Facilities Authority, Workers' Compensation Assigned Risk Plan, National Sports Center Foundation, and University of Minnesota, which represent 98 percent and 99 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Minnesota at June 30, 1997, and the results of its operations and the cash flows of its proprietary and nonexpendable trust fund types for the year then ended, in conformity with generally accepted accounting principles.

Members of the Legislature
The Honorable Arne Carlson, Governor
Wayne Simoneau, Commissioner, Department of Finance
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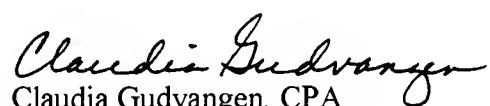
As explained in Note 15 to the general purpose financial statements, the State of Minnesota changed its method of accounting and reporting for certain grant payments made from the General Fund. Liabilities previously reported in the General Long Term Obligation Account Group are now reported in the General Fund.

As discussed in Note 15 to the general purpose financial statements, the State of Minnesota implemented three Governmental Accounting Standards Board (GASB) statements during the year ended June 30, 1997. GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," changed the state's accounting and reporting methods for pension trust funds and pension expenditures/expenses. GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions," changed the state's accounting and reporting methods for securities lending transactions.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 1997, on our consideration of the State of Minnesota's internal control structure and a report dated December 8, 1997, on its compliance with laws and regulations.


James R. Nobles
Legislative Auditor


Claudia Gudvangen, CPA
Deputy Legislative Auditor

December 8, 1997

STATE OF MINNESOTA

**SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY**

**JUNE 30, 1997
(IN THOUSANDS)**

<u>Function and Activity</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>EQUIPMENT</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
Protection of Persons and Property:					
Military Affairs	\$ 4,437	\$ 109,859	\$ 353	\$ 11,666	\$ 126,315
Public Safety	-	-	33,135	-	33,135
Others	-	-	475	-	475
Total Protection of Persons and Property	<u>\$ 4,437</u>	<u>\$ 109,859</u>	<u>\$ 33,963</u>	<u>\$ 11,666</u>	<u>\$ 159,925</u>
Transportation					
Transportation	\$ 5,866	\$ 165,910	\$ 181,766	\$ 7,520	\$ 361,062
Total Transportation	<u>\$ 5,866</u>	<u>\$ 165,910</u>	<u>\$ 181,766</u>	<u>\$ 7,520</u>	<u>\$ 361,062</u>
Resource Management:					
Natural Resources	\$ 221,565	\$ 44,395	\$ 45,988	\$ 2,346	\$ 314,294
Pollution Control	709	-	4,195	-	4,904
Others	-	-	233	-	233
Total Resource Management	<u>\$ 222,274</u>	<u>\$ 44,395</u>	<u>\$ 50,416</u>	<u>\$ 2,346</u>	<u>\$ 319,431</u>
Economic and Manpower Development:					
Agriculture	\$ -	\$ -	\$ 1,945	\$ -	\$ 1,945
Commerce	-	-	98	-	98
Economic Security	1,976	7,410	4,884	-	14,270
Trade and Economic Development	-	-	659	-	659
Labor and Industry	-	-	825	-	825
Iron Range Resources and Rehabilitation	1,046	28,395	3,522	6,218	39,181
Public Service	-	-	1,725	-	1,725
Amateur Sports Commission	1,661	14,294	22	-	15,977
Others	-	-	66	-	66
Total Economic and Manpower Development	<u>\$ 4,683</u>	<u>\$ 50,099</u>	<u>\$ 13,746</u>	<u>\$ 6,218</u>	<u>\$ 74,746</u>
Education					
Center for Arts Education	\$ 1,955	\$ 2,955	\$ 106	\$ -	\$ 5,016
Minnesota State Colleges and Universities	39,690	902,625	97,660	61,107	1,101,082
Education (K-12)	20	11,779	435	-	12,234
Zoological Garden	1,175	40,486	1,523	23,076	66,260
Total Education	<u>\$ 42,840</u>	<u>\$ 957,845</u>	<u>\$ 99,724</u>	<u>\$ 84,183</u>	<u>\$ 1,184,592</u>
Health and Social Services:					
Health	\$ -	\$ -	\$ 2,767	\$ -	\$ 2,767
Human Services	1,410	173,573	13,755	4,707	193,445
Veterans Affairs and Veterans Home Board	134	33,560	1,237	5,765	40,696
Corrections	108	171,336	7,045	11,330	189,819
Others	30	-	1,534	-	1,564
Total Health and Social Services	<u>\$ 1,682</u>	<u>\$ 378,469</u>	<u>\$ 26,338</u>	<u>\$ 21,802</u>	<u>\$ 428,291</u>
General Government					
Administration (1)	\$ 16,690	\$ 137,087	\$ 1,196	\$ -	\$ 154,973
Attorney General	-	-	852	-	852
Employee Relations	-	-	1,525	-	1,525
Office of Strategic and Long Range Planning	-	-	300	-	300
Governor	-	-	99	-	99
Legislature	-	-	65	-	65
Secretary of State	-	-	4,949	-	4,949
Supreme Court	-	-	4,819	-	4,819
Revenue	-	-	4,855	-	4,855
Others	-	-	1,266	-	1,266
Total General Government	<u>\$ 16,690</u>	<u>\$ 137,087</u>	<u>\$ 19,926</u>	<u>\$ -</u>	<u>\$ 173,703</u>
Total General Fixed Assets	<u>\$ 298,472</u>	<u>\$ 1,843,664</u>	<u>\$ 425,879</u>	<u>\$ 133,735</u>	<u>\$ 2,701,750</u>

STATE OF MINNESOTA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY**

YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

<u>Function and Activity</u>	<u>GENERAL FIXED ASSETS</u>				<u>GENERAL FIXED ASSETS</u>
	<u>JULY 1, 1996</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS/ NET TRANSFERS</u>	<u>ADJUSTMENTS</u>	
Protection of Persons and Property:					
Military Affairs.....	\$ 121,027	\$ 19,331	\$ 14,046	\$ 3	\$ 126,315
Public Safety.....	34,307	4,092	2,559	(2,705)	33,135
Others.....	918	75	-	(518)	475
Total Protection of Persons and Property.....	\$ 156,252	\$ 23,498	\$ 16,605	\$ (3,220)	\$ 159,925
Transportation:					
Transportation.....	\$ 340,901	\$ 38,185	\$ 19,171	\$ 1,147	\$ 361,062
Total Transportation.....	\$ 340,901	\$ 38,185	\$ 19,171	\$ 1,147	\$ 361,062
Resource Management:					
Natural Resources.....	\$ 295,709	\$ 22,803	\$ 5,209	\$ 991	\$ 314,294
Pollution Control.....	4,649	804	604	55	4,904
Others.....	137	-	-	96	233
Total Resource Management.....	\$ 300,495	\$ 23,607	\$ 5,813	\$ 1,142	\$ 319,431
Economic and Manpower Development:					
Agriculture.....	\$ 1,953	\$ 26	\$ 34	\$ -	\$ 1,945
Commerce.....	72	2	-	24	98
Economic Security.....	19,238	33	5,014	13	14,270
Trade and Economic Development.....	659	-	-	-	659
Labor and Industry.....	1,141	26	560	218	825
Iron Range Resources and Rehabilitation.....	37,784	964	52	485	39,181
Public Service.....	1,827	262	382	18	1,725
Amateur Sports Commission.....	15,577	400	-	-	15,977
Others.....	134	10	-	(78)	66
Total Economic and Manpower Development.....	\$ 78,385	\$ 1,723	\$ 6,042	\$ 680	\$ 74,746
Education:					
Center for Arts Education.....	\$ 5,016	\$ -	\$ -	\$ -	\$ 5,016
Minnesota State Colleges and Universities	1,087,984	105,809	64,438	(28,273)	1,101,082
Education (K-12).....	12,235	1,285	1,286	-	12,234
Zoological Garden.....	50,876	15,461	77	-	66,260
Total Education.....	\$ 1,156,111	\$ 122,555	\$ 65,801	\$ (28,273)	\$ 1,184,592
Health and Social Services:					
Health.....	\$ 2,801	\$ 204	\$ 250	\$ 12	\$ 2,767
Human Services.....	187,141	7,179	2,406	1,531	193,445
Veterans Affairs and Veterans Home Board.....	35,579	5,367	246	(4)	40,696
Corrections.....	187,725	45,721	40,125	(3,502)	189,819
Others.....	1,050	1,137	613	(10)	1,564
Total Health and Social Services.....	\$ 414,296	\$ 59,608	\$ 43,640	\$ (1,973)	\$ 428,291
General Government:					
Administration (1).....	\$ 154,969	\$ 95	\$ 101	\$ 10	\$ 154,973
Attorney General.....	852	-	-	-	852
Employee Relations.....	1,525	-	-	-	1,525
Office of Strategic and Long Range Planning.....	300	-	-	-	300
Governor.....	99	-	-	-	99
Legislature.....	47	18	-	-	65
Secretary of State.....	4,716	2	15	246	4,949
Supreme Court.....	4,708	29	50	132	4,819
Revenue.....	4,617	501	300	37	4,855
Others.....	1,470	75	363	84	1,266
Total General Government.....	\$ 173,303	\$ 720	\$ 829	\$ 509	\$ 173,703
Total General Fixed Assets.....	\$ 2,619,743	\$ 269,896	\$ 157,901	\$ (29,988)	\$ 2,701,750

(1) Consists primarily of buildings and land located in the capitol complex area.

STATE OF MINNESOTA

GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP
STATEMENT OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	BALANCE JULY 1, 1996	INCREASE	DECREASE	BALANCE JUNE 30, 1997
Amount Available and to be Provided for Payment of General Long-Term Obligations:				
Amount Available in Debt Service Fund	<u>\$ 160,880</u>	<u>\$ 194,400</u>	<u>\$ 171,615</u>	<u>\$ 183,665</u>
Amount to be Provided:				
General Fund	<u>\$ 2,760,900</u>	<u>\$ 180,682</u>	<u>\$ 657,305</u>	<u>\$ 2,284,277</u>
Trunk Highway Fund	<u>118,444</u>	<u>9,940</u>	<u>37,392</u>	<u>90,992</u>
Highway User Tax Distribution Fund	<u>907</u>	<u>-</u>	<u>73</u>	<u>834</u>
Solid Waste Fund	<u>129,820</u>	<u>157,387</u>	<u>-</u>	<u>287,207</u>
State Airports Fund	<u>455</u>	<u>-</u>	<u>3</u>	<u>452</u>
Federal Fund	<u>17,674</u>	<u>2,513</u>	<u>-</u>	<u>20,187</u>
Environmental Fund	<u>1,675</u>	<u>95</u>	<u>-</u>	<u>1,770</u>
Petroleum Tank Cleanup Fund	<u>163</u>	<u>149</u>	<u>-</u>	<u>312</u>
Natural Resources Funds	<u>8,270</u>	<u>934</u>	<u>43</u>	<u>9,161</u>
Maximum Effort School Loan Fund	<u>107,250</u>	<u>12,650</u>	<u>8,305</u>	<u>111,595</u>
Special Compensation Fund	<u>39,961</u>	<u>3,771</u>	<u>87</u>	<u>43,645</u>
Health Care Access Fund	<u>701</u>	<u>169</u>	<u>-</u>	<u>870</u>
Iron Range Resources and Rehabilitation Fund	<u>550</u>	<u>4,310</u>	<u>-</u>	<u>4,860</u>
Miscellaneous Special Revenue Fund	<u>16,762</u>	<u>3,515</u>	<u>4,989</u>	<u>15,288</u>
Total Amount to be Provided	<u><u>\$ 3,203,532</u></u>	<u><u>\$ 376,115</u></u>	<u><u>\$ 708,197</u></u>	<u><u>\$ 2,871,450</u></u>
Total Amount Available and to be Provided	<u><u>\$ 3,364,412</u></u>	<u><u>\$ 570,515</u></u>	<u><u>\$ 879,812</u></u>	<u><u>\$ 3,055,115</u></u>
General Long-Term Obligations Payable				
General Obligation Bonds Payable	<u>\$ 2,162,014</u>	<u>\$ 170,000</u>	<u>\$ 171,295</u>	<u>\$ 2,160,719</u>
Loans Payable	<u>33,311</u>	<u>6,063</u>	<u>18,410</u>	<u>20,964</u>
Revenue Bonds Payable	<u>202,710</u>	<u>4,250</u>	<u>50,945</u>	<u>156,015</u>
Grants Payable	<u>423,838</u>	<u>-</u>	<u>423,838</u>	<u>-</u>
Claims Payable	<u>190,059</u>	<u>160,866</u>	<u>2,000</u>	<u>348,925</u>
Compensated Absences Payable	<u>236,232</u>	<u>9,453</u>	<u>541</u>	<u>245,144</u>
Workers Compensation Liability	<u>101,667</u>	<u>16,530</u>	<u>11,320</u>	<u>106,877</u>
Capital Leases Payable	<u>13,194</u>	<u>8,026</u>	<u>6,204</u>	<u>15,016</u>
Pension Liabilities	<u>526</u>	<u>102</u>	<u>8</u>	<u>620</u>
Arbitrage Payable	<u>861</u>	<u>22</u>	<u>48</u>	<u>835</u>
Total General Long-Term Obligations Payable	<u><u>\$ 3,364,412</u></u>	<u><u>\$ 375,312</u></u>	<u><u>\$ 684,609</u></u>	<u><u>\$ 3,055,115</u></u>

COMPONENT UNIT FUNDS

Component units are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability to impose the will of the primary government, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on the primary government. They are presented here in three reporting groups, Governmental fund type, Proprietary fund type and Universities.

GOVERNMENTAL FUND TYPE:

The *Metropolitan Council* is responsible for coordinating the planning and development of the Twin Cities metropolitan area.

The *Minnesota Technology, Incorporated* provides financial assistance to new or existing small and medium sized businesses in greater Minnesota, in order to stimulate economic growth and job creation.

The *Higher Education Services Office* administers the state's student loan programs and engages in long-range planning for the needs of higher education.

The *Rural Finance Authority* administers state agriculture programs.

The *Agricultural and Economic Development Board* administers programs for agricultural and economic development.

The *Export Finance Authority* aids and facilitates the financing of exports from the state.

PROPRIETARY FUND TYPE:

The *Housing Finance Agency* provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes.

The *Public Facilities Authority* provides financial assistance to municipalities, primarily for wastewater treatment construction projects.

The *Metropolitan Council* operates the metropolitan regional sewage treatment and disposal systems and the public transit system. The Metropolitan Sports Facilities Commission, a component unit of the Council, operates the Metropolitan Sports Center and Hubert H. Humphrey Metrodome sports facilities.

The *Minnesota Workers' Compensation Assigned Risk Plan* is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market.

The *National Sports Center Foundation* is under contract with the Minnesota Amateur Sports Commission to maintain and operate the National Sports Center facility. The primary purpose of the facility is to hold youth-oriented athletic and other non-athletic functions and events.

The *Higher Education Services Office* makes and guarantees loans to qualified post secondary students.

COLLEGE AND UNIVERSITY TYPE:

The *University of Minnesota* is a multi-campus university providing undergraduate and graduate degrees, advanced research opportunities, and an extension service.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 1996 and JUNE 30, 1997
(IN THOUSANDS)

	GOVERNMENTAL FUND TYPES						PROPRIETARY FUND TYPES						UNIVERSITY FUND TYPE	
	METROPOLITAN COUNCIL	MINNESOTA TECHNOLOGY	HIGHER EDUCATION SERVICES OFFICE	EXPORT FINANCE AUTHORITY	AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	HOUSING FINANCE AGENCY	PUBLIC FACILITIES AUTHORITY	METROPOLITAN COUNCIL	WORKERS' COMPENSATION ASSIGNED RISK PLAN	NATIONAL SPORTS CENTER FOUNDATION	HIGHER EDUCATION SERVICES OFFICE	UNIVERSITY OF MINNESOTA	COMBINED TOTALS
ASSETS														
Cash and Cash Equivalents	\$ 44,483	\$ 10,144	\$ 10,124	\$ 955	\$ 12,038	\$ 8,970	\$ 317,896	\$ -	\$ 1,687	\$ 14,435	\$ 71	\$ 15,735	\$ 531,210	\$ 967,748
Investments	145,768	6,379	-	-	17,517	-	257,566	51,752	546,573	-	88,483	-	679,347	1,793,385
Accounts Receivable	2,942	63	3,411	-	-	-	1,826	-	10,549	251,913	68	-	61,761	332,533
Accrued Investment/Interest Income	851	-	-	-	282	53	23,368	-	39	5,328	-	2,258	5,469	37,648
Interfund Receivables	10,618	-	-	-	-	-	-	18,117	-	-	-	-	-	28,735
Due from Other Governmental Units	9,736	-	-	-	-	-	-	127	-	-	-	-	-	9,863
Due from Primary Government	-	-	18	-	-	-	-	-	-	-	-	-	83,758	83,776
Federal Aid Receivable	-	1,863	190	-	-	-	-	-	-	-	-	-	43,874	45,927
Loans and Notes Receivable	11,649	-	-	-	24,733	43,647	1,807,664	-	-	-	181,116	59,301	2,128,110	
Inventories	-	-	-	-	-	-	2,581	-	12,055	-	32	-	15,297	29,965
Deferred Costs	-	-	-	-	-	-	-	-	6,920	-	638	8,196	8,196	15,754
Restricted Assets														
Cash and Cash Equivalents	-	-	-	-	-	-	239,808	24,572	1,152	-	-	25,708	30,366	321,606
Investments	-	-	-	-	-	-	35,961	169,951	213,806	-	-	-	-	419,518
Accrued Investment/Interest Income	-	-	-	-	-	-	-	4,046	-	-	-	-	-	4,046
Loans Receivable	-	-	-	-	-	-	-	180,445	-	-	-	-	-	180,445
Loans Receivable between Component Units	-	-	-	-	-	-	-	246,790	-	-	-	-	-	246,790
Other Restricted Assets	-	-	-	-	-	-	-	52,129	4,292	-	-	-	-	56,421
Fixed Assets (Net)	11,777	808	354	-	-	-	1,204	16	1,140,176	-	388	58	1,114,284	2,269,065
Other Assets	793	-	-	-	-	-	-	-	186	529	29	-	-	376
Amount Available for Debt Service	36,012	-	-	-	-	-	-	-	-	-	-	-	-	36,012
Amount to be Provided for Debt Service	88,204	-	-	-	-	-	-	-	-	-	-	-	-	121,650
Total Assets and Other Debits	\$ 362,833	\$ 19,257	\$ 14,097	\$ 955	\$ 88,016	\$ 52,670	\$ 2,687,874	\$ 677,949	\$ 1,453,738	\$ 825,698	\$ 588	\$ 313,996	\$ 2,633,239	\$ 9,130,910
LIABILITIES AND FUND EQUITY														
Liabilities														
Accounts Payable	\$ 16,788	\$ 650	\$ 2,107	\$ -	\$ 1,010	\$ -	\$ 6,844	\$ 653	\$ 66,959	\$ 561,202	\$ 221	\$ 340	\$ 167,613	\$ 824,387
Loans/Notes Payable	68	-	-	-	-	-	-	-	378	-	165	-	-	609
Interfund Payables	22,120	-	-	-	-	-	-	-	3,391	-	-	-	-	25,511
Payable to Other Governmental Units	1,881	-	-	-	-	-	-	-	-	-	-	-	-	1,881
Due to Primary Government	-	-	11,071	-	-	4,544	-	-	-	5,872	-	44	-	21,531
Loans Payable between Component Units	-	-	-	-	-	-	-	-	271,198	-	-	-	-	271,198
Deferred Revenue	3,300	-	-	-	-	-	-	-	1,870	27,977	87	-	-	27,620
Securities Lending Collateral	-	-	-	-	-	-	-	-	-	-	-	-	43,810	43,810
Claims and Judgements	-	-	-	-	-	-	-	-	34,030	-	-	-	-	33,233
Grants Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	34,030
Pension Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	21,234
Funds Held in Trust	62,680	-	-	-	-	-	127,248	-	-	-	-	-	-	189,928
Payable from Restricted Assets:														
Accounts Payable	-	-	-	-	-	-	-	-	10,642	-	-	-	-	10,642
Revenue Bonds Payable	-	-	-	-	-	-	159,945	367,433	1,990	-	-	-	-	529,368
General Obligation Bonds Payable	-	-	-	-	-	-	-	-	40,868	-	-	-	-	40,868
Revenue and General Obligation Bonds Interest Payable	-	-	-	-	-	-	58,021	6,527	7,951	-	-	250	-	72,749
Interfund Payables	-	-	-	-	-	-	-	-	3,224	-	-	-	-	3,224
Other Payables	-	-	-	-	-	-	-	-	67,745	-	-	-	-	67,745
Revenue Bonds Payable	-	-	-	-	-	-	1,817,822	-	34,090	-	-	75,100	14,180	1,974,638
General Obligation Bonds Payable	122,563	-	-	-	-	-	-	-	270,287	-	-	-	-	278,649
Compensated Absences Payable	1,503	-	229	-	-	-	-	777	-	4,036	-	108	26,846	33,499
Other Liabilities	142	-	-	-	-	-	-	-	-	2,618	-	-	4,710	7,470
Total Liabilities	\$ 231,023	\$ 650	\$ 13,407	\$ -	\$ 34,456	\$ 4,544	\$ 2,170,657	\$ 408,643	\$ 787,247	\$ 595,051	\$ 473	\$ 75,842	\$ 617,895	\$ 4,939,888
Fund Equity														
Contributed Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,800	\$ 459,920	\$ -	\$ -	\$ -	\$ -	\$ 704,720
Investment in Fixed Assets	\$ 11,777	\$ 808	\$ 354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,425	\$ 955,364
Retained Earnings														
Reserved for Debt Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 457,811	\$ -	\$ 57,199	\$ -	\$ -	\$ 25,458	\$ -	\$ 540,468
Reserved per State Law	-	-	-	-	-	-	-	-	-	-	-	-	-	59,406
Reserved for Claims	-	-	-	-	-	-	-	-	34,625	-	-	-	-	34,625
Unreserved Retained Earnings	-	-	-	-	-	-	-	24,506	114,747	224,134	115	212,696	-	576,198
Total Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,217	\$ 24,506	\$ 206,571	\$ 224,134	\$ 115	\$ 238,154	\$ -	\$ 1,210,697
Fund Balances														
Reserved Fund Balances	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reserved for Encumbrances	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,450	\$ 17,350
Reserved for Long-Term Receivables	11,186	-	-	-	-	24,733	43,571	-	-	-	-			

STATE OF MINNESOTA

COMPONENT UNIT FUNDS - GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 1996 AND JUNE 30, 1997
(IN THOUSANDS)

	<u>METROPOLITAN COUNCIL</u>	<u>MINNESOTA TECHNOLOGY</u>	<u>HIGHER EDUCATION SERVICES OFFICE</u>	<u>EXPORT FINANCE AUTHORITY</u>	<u>AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD</u>	<u>RURAL FINANCE AUTHORITY</u>	<u>COMBINED TOTALS</u>
Net Revenues							
Other Taxes	\$ 88,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,537
Federal Revenues	-	-	1,550	-	-	-	1,550
Other Intergovernmental Revenues	43,597	3,093	1,360	-	-	-	48,053
Investment/Interest Income	5,079	1,537	-	53	2,515	2,837	12,021
Other Revenues	2,386	760	3,376	-	1,611	-	8,133
Net Revenues.....	<u>\$ 139,599</u>	<u>\$ 5,390</u>	<u>\$ 6,286</u>	<u>\$ 53</u>	<u>\$ 4,126</u>	<u>\$ 2,840</u>	<u>\$ 158,294</u>
Expenditures:							
Current.							
Transportation..	\$ 37,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,250
Resource Management.....	13,361	-	-	-	-	-	13,361
Economic & Manpower Development.....	154	7,588	-	16	46	2	7,806
Education.....	-	-	7,905	-	-	-	7,905
Health and Social Services	26,314	-	-	-	-	-	26,314
General Government	19,383	2,361	1,589	-	-	-	23,333
Total Current Expenditures.....	<u>\$ 96,462</u>	<u>\$ 9,949</u>	<u>\$ 9,494</u>	<u>\$ 16</u>	<u>\$ 46</u>	<u>\$ 2</u>	<u>\$ 115,969</u>
Capital Outlay.....	1,497	-	-	-	-	-	1,497
Debt Service.....	27,477	-	-	-	13,209	-	40,686
Grants and Subsidies..	-	1,482	109,263	-	-	-	110,745
Total Expenditures.....	<u>\$ 125,436</u>	<u>\$ 11,431</u>	<u>\$ 118,757</u>	<u>\$ 16</u>	<u>\$ 13,255</u>	<u>\$ 2</u>	<u>\$ 268,897</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 14,163</u>	<u>\$ (6,041)</u>	<u>\$ (112,471)</u>	<u>\$ 37</u>	<u>\$ (9,129)</u>	<u>\$ 2,838</u>	<u>\$ (110,603)</u>
Other Financing Sources (Uses)							
General Obligation Bonds	\$ 19,442	\$ -	\$ -	\$ -	\$ 5,665	\$ 4,500	\$ 29,607
Operating Transfers-In..	20,436	-	-	-	-	-	20,436
Other Operating Transfers-Out	(85,606)	-	-	-	-	-	(85,606)
Transfers-In from Primary Government ..	57,995	7,587	109,272	-	-	-	174,854
Transfers-Out to Primary Government.....	-	-	-	-	-	(5,233)	(5,233)
Net Other Financing Sources (Uses) ..	<u>\$ 12,267</u>	<u>\$ 7,587</u>	<u>\$ 109,272</u>	<u>\$ -</u>	<u>\$ 5,665</u>	<u>\$ (733)</u>	<u>\$ 134,058</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	<u>\$ 26,430</u>	<u>\$ 1,546</u>	<u>\$ (3,199)</u>	<u>\$ 37</u>	<u>\$ (3,464)</u>	<u>\$ 2,105</u>	<u>\$ 23,455</u>
Fund Balances, Beginning, as Reported	\$ 103,198	\$ 17,061	\$ 3,535	\$ 918	\$ 35,041	\$ 46,021	\$ 205,774
Changes in Accounting Principles	-	(808)	-	-	21,983	-	21,175
Fund Balances, Beginning, as Restated	\$ 103,198	\$ 16,253	\$ 3,535	\$ 918	\$ 57,024	\$ 46,021	\$ 226,949
Residual Equity Transfers-Out	(9,595)	-	-	-	-	-	(9,595)
Fund Balances, Ending	<u>\$ 120,033</u>	<u>\$ 17,799</u>	<u>\$ 336</u>	<u>\$ 955</u>	<u>\$ 53,560</u>	<u>\$ 48,126</u>	<u>\$ 240,809</u>

STATE OF MINNESOTA

**COMPONENT UNIT FUNDS - PROPRIETARY FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1996 AND JUNE 30, 1997
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	PUBLIC FACILITIES AUTHORITY	METROPOLITAN COUNCIL	WORKERS' COMPENSATION ASSIGNED RISK PLAN	NATIONAL SPORTS CENTER FOUNDATION	HIGHER EDUCATION SERVICES OFFICE	COMBINED TOTALS
Operating Revenues							
Net Sales	\$ -	\$ -	\$ 12,688	\$ -	\$ 2,991	\$ -	\$ 15,679
Interest Income on Loans	131,727	17,387	-	-	-	11,125	160,239
Investment Income	42,486	12,565	-	-	-	-	55,051
Rental and Service Fees	3,518	-	205,592	-	87	-	209,197
Insurance Premiums	-	-	-	75,220	-	-	75,220
Other Income	-	-	4,058	-	-	-	4,058
Total Operating Revenues	\$ 177,731	\$ 29,952	\$ 222,338	\$ 75,220	\$ 3,078	\$ 11,125	\$ 519,444
Operating Expenses							
Interest and Financing Costs	\$ 129,529	\$ 22,277	\$ -	\$ -	\$ -	\$ 2,930	\$ 154,736
Purchased Services	11,658	126	41,870	9,899	1,821	3,094	68,468
Salaries and Fringe Benefits	7,356	1,261	159,210	-	1,165	747	169,739
Claims	-	-	-	(14,926)	-	-	(14,926)
Depreciation	529	12	62,510	-	61	31	63,143
Amortization	-	-	-	-	-	518	516
Supplies and Materials	312	6	17,570	-	-	30	17,918
Indirect Costs	200	181	-	-	-	22	403
Other Expenses	3,252	-	11,206	7,388	145	187	22,178
Total Operating Expenses	\$ 152,836	\$ 23,863	\$ 292,366	\$ 2,361	\$ 3,192	\$ 7,557	\$ 482,175
Operating Income (Loss)	\$ 24,895	\$ 6,089	\$ (70,028)	\$ 72,859	\$ (114)	\$ 3,568	\$ 37,269
Nonoperating Revenues (Expenses)							
Investment Income	\$ -	\$ -	\$ 13,568	\$ 40,437	\$ 8	\$ 6,793	\$ 60,806
Interest and Financing Costs	-	-	(34,876)	-	(16)	-	(34,892)
Federal Grants and Subsidies	73,496	-	-	-	-	-	73,496
Other Nonoperating Revenues	237	-	14,994	-	486	2,206	17,923
Gains (Losses) on Sale of Fixed Assets	-	-	(3,739)	-	-	-	(3,739)
Grants, Aids and Subsidies	(99,539)	-	-	-	-	173	(99,366)
Other Nonoperating Expenses	-	-	(8,169)	-	(293)	(384)	(8,846)
Total Nonoperating Revenues (Expenses)	\$ (25,806)	\$ -	\$ (18,222)	\$ 40,437	\$ 185	\$ 8,788	\$ 5,382
Income (Loss) Before Transfers	\$ (911)	\$ 6,089	\$ (88,250)	\$ 113,296	\$ 71	\$ 12,356	\$ 42,651
Transfers-In	-	-	79,372	-	-	-	79,372
Transfers-In from Primary Government	17,882	-	-	-	-	-	17,882
Transfers-Out	-	-	(14,202)	-	-	-	(14,202)
Net Income (Loss) before Extraordinary Item	\$ 16,971	\$ 6,089	\$ (23,080)	\$ 113,296	\$ 71	\$ 12,356	\$ 125,703
Depreciation on Fixed Assets	-	-	-	-	-	-	-
Acquired with Contributed Capital	-	-	31,314	-	-	-	31,314
Increase (Decrease) in Retained Earnings	\$ 16,971	\$ 6,089	\$ 8,234	\$ 113,296	\$ 71	\$ 12,356	\$ 157,017
Retained Earnings, as Reported	\$ 500,246	\$ 18,417	\$ 199,551	\$ 110,838	\$ 321	\$ 225,798	\$ 1,055,171
Prior Period Adjustments	-	-	(1,214)	-	-	-	(1,214)
Changes in Accounting Principle	-	-	-	-	(277)	-	(277)
Retained Earnings, As Restated	\$ 500,246	\$ 18,417	\$ 198,337	\$ 110,838	\$ 44	\$ 225,798	\$ 1,053,680
Retained Earnings, Ending	\$ 517,217	\$ 24,506	\$ 206,571	\$ 224,134	\$ 115	\$ 238,154	\$ 1,210,697

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1996 AND JUNE 30, 1997
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	PUBLIC FACILITIES AUTHORITY	METROPOLITAN COUNCIL	WORKERS' COMPENSATION ASSIGNED RISK PLAN	NATIONAL SPORTS CENTER FOUNDATION	HIGHER EDUCATION SERVICES OFFICE	COMBINED TOTALS
Cash Flows from Operating Activities:							
Operating Income (Loss)	\$ 24,895	\$ 6,089	\$ (70,028)	\$ 72,859	\$ (114)	\$ 3,568	\$ 37,269
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:							
Depreciation	\$ 529	\$ 12	\$ 62,510	\$ -	\$ 61	\$ 31	\$ 63,143
Amortization	-	-	-	-	-	516	516
Investment Income	(42,486)	(12,565)	-	-	-	-	(55,051)
Interest and Financing Costs	129,529	22,277	-	-	-	2,930	154,736
Loan Principal Repayments	203,076	12,381	-	-	-	31,206	246,663
Loans Issued	(289,230)	(68,585)	-	-	-	(26,822)	(384,637)
Customer Deposits	54,918	-	-	-	-	-	54,918
Return of Customer Deposits	(69,307)	-	-	-	-	-	(69,307)
Provision for Loan Defaults	3,089	-	-	-	-	(101)	2,988
Net Nonoperating Revenues (Expenses)	-	-	(6,340)	-	21	-	(6,319)
Change in Assets and Liabilities:							
Accounts Receivable	(184)	-	(2,336)	78,311	8	(89)	75,710
Inventories	(1,438)	-	(703)	-	8	-	(2,133)
Other Assets	140	(925)	4,136	3,107	(4)	-	6,454
Accounts Payable	3,864	39	6,615	(1,472)	27	17	9,090
Deferred Revenues	-	-	(716)	(10,545)	36	17	(11,208)
Claims and Judgements Payable	-	-	-	(169,000)	-	-	(169,000)
Other Liabilities	113	-	1,511	(954)	-	-	670
Net Reconciling Items to be Added (Deducted) from Operating Income							
Net Cash Flows from Operating Activities	\$ 17,508	\$ (41,277)	\$ (5,351)	\$ (27,694)	\$ 43	\$ 11,273	\$ (45,498)
Cash Flows from Noncapital Financing Activities:							
Grant Receipts	\$ 73,496	\$ 22,446	\$ 3,800	\$ -	\$ 187	\$ 173	\$ 100,102
Grant Disbursements	(99,539)	-	-	-	-	-	(99,539)
Transfers-In	17,882	-	75,415	-	-	-	93,297
Proceeds from Bond Sales	256,000	61,832	-	-	-	-	317,832
Repayment of Debt	(299,531)	(11,520)	-	-	(80)	(9,900)	(321,031)
Bond Issuance Costs	(2,690)	(528)	-	-	-	-	(3,218)
Funds Deposited in Escrow for Bond Refunding	-	327	-	-	-	-	327
Interest Paid	(129,739)	(19,085)	-	-	(8)	(2,949)	(151,781)
Net Cash Flows from Noncapital Financing Activities	\$ (184,121)	\$ 53,472	\$ 79,215	\$ -	\$ 99	\$ (12,676)	\$ (64,011)
Cash Flows from Capital and Related Financing Activities:							
Investment in Fixed Assets	\$ (895)	\$ (23)	\$ (50,263)	\$ -	\$ (341)	\$ (13)	\$ (51,535)
Proceeds from the Sale of Fixed Assets	-	-	78	-	224	-	302
Capital Contributions	-	-	35,327	-	-	-	35,327
Repayment of Advances to Other Funds	-	-	(268)	-	-	-	(268)
Proceeds from Bond Sales	-	-	80,794	-	-	-	80,794
Repayment of Bond Principal	-	-	(61,617)	-	-	-	(61,617)
Interest Paid	-	-	(35,096)	-	-	-	(35,096)
Net Cash Flows from Capital and Related Financing Activities	\$ (895)	\$ (23)	\$ (31,045)	\$ -	\$ (117)	\$ (13)	\$ (32,093)
Cash Flows from Investing Activities:							
Proceeds from Sales and Maturities of Investments	\$ 221,224	\$ 71,454	\$ 307,276	\$ 554,343	\$ -	\$ 108,526	\$ 1,262,823
Purchase of Investments	(170,448)	(117,798)	(357,530)	(569,417)	-	(95,698)	(1,310,891)
Investment Earnings	44,323	11,810	12,247	40,078	8	7,428	115,894
Net Cash Flows from Investing Activities	\$ 95,099	\$ (34,534)	\$ (38,007)	\$ 25,004	\$ 8	\$ 20,256	\$ 67,826
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (72,409)	\$ (22,362)	\$ 4,812	\$ (2,690)	\$ 33	\$ 18,840	\$ (73,776)
Cash and Cash Equivalents, Beginning	\$ 630,113	\$ 46,934	\$ (1,973)	\$ 17,125	\$ 38	\$ 22,603	\$ 714,840
Cash and Cash Equivalents, Ending	\$ 557,704	\$ 24,572	\$ 2,839	\$ 14,435	\$ 71	\$ 41,443	\$ 641,064

STATE OF MINNESOTA

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

PRINCIPAL PAYMENTS - BOLD FACE			INTEREST PAYMENTS - MEDIUM FACE							PRINCIPAL PAYMENTS - BOLD FACE			INTEREST PAYMENTS - MEDIUM FACE									
			(\$ IN THOUSANDS)										(\$ IN THOUSANDS)									
GROUP & FUND & TYPE	AUTHORIZATION	AMOUNT OUTSTANDING	(\$ IN THOUSANDS)																			
			6/30/1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
GENERAL FUND																				2015		
STATE BUILDING CAPITAL IMPROVEMENT																				2016		
																				2017		
	'81.334	310 11	305 10	5 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	'84.597	1,125 37	1,125 37	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	X'85.015	7,935 350	6,805 300	935 44	195 6	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	X'87.003	50 3	25 3	25 1	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	'87.400	45,745 7,076	13,140 2,516	13,095 1,649	9,715 900	4,310 445	1,465 263	525 206		315 183	315 167	315 150	315 134	315 117	315 100	315 83	315 66	315 48	315 31	240 13		
	'88.718	1,285 179	300 75	310 54	310 34	310 14	45 2	10 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	'89.041	565 56	190 31	190 18	185 6	0 0	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	'89.290	2,200 354	550 123	550 87	550 51	275 25	65 13	60 11		15 8	15 7	15 6	15 6	15 5	15 4	15 3	15 2	15 1	0 0	0 0		
	'89.300	51,580 18,812	6,125 2,708	6,300 2,343	6,295 1,971	4,025 1,679	3,640 1,461	2,455 1,300		2,035 1,185	2,035 1,080	2,035 972	1,930 862	1,930 761	1,930 660	1,935 557	1,935 453	1,935 347	1,935 241	1,740 135		
	'90.365	409 55	100 24	100 17	104 10	105 3	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
	'90.610	32,385 9,274	3,412 1,772	4,924 1,514	4,915 1,217	5,019 920	3,162 680	2,395 524		750 439	750 400	750 359	750 320	750 281	750 241	750 201	750 161	750 120	750 78	752 37		
	'91.354	2,975 1,320	175 148	175 139	175 131	175 122	175 113	175 105		175 96	175 88	175 79	175 70	175 61	175 52	175 42	175 33	175 24	175 14	0 0		
	'92.558	123,928 56,083	8,000 6,321	7,695 5,916	7,691 5,513	8,145 5,103	8,142 4,687	8,210 4,269		6,395 3,896	6,390 3,567	6,390 3,227	6,390 2,889	6,630 2,550	6,630 2,204	6,630 1,853	6,630 1,498	6,630 1,139	6,630 778	6,120 415		
	'93.373	22,195 11,285	1,300 1,221	1,295 1,150	1,295 1,079	1,320 1,009	1,280 937	1,275 867		1,280 797	1,280 724	1,185 655	1,175 589	1,180 523	1,180 456	1,185 387	1,185 318	1,185 248	1,185 178	1,185 108		
	'93.558	9,350 4,148	550 464	550 437	550 410	550 383	550 356	550 329		550 302	550 275	550 247	550 219	550 191	550 162	550 133	550 104	550 74	550 45	0 0		
	'94.643	285,813 148,301	13,535 15,134	15,435 14,399	15,425 13,584	17,195 12,763	15,520 11,906	15,525 11,116		14,975 10,318	14,980 9,491	14,975 8,629	15,285 7,746	15,075 6,951	15,075 6,159	15,070 5,352	15,075 4,530	15,070 3,700	15,075 2,858	15,075 2,006		
	X'95.002	4,600 2,526	45 246	245 239	245 225	265 212	230 199	230 187		230 176	230 163	230 149	265 136	265 122	265 109	265 95	265 81	265 67	265 52	265 38		
	'96.463	113,495 57,194	7,180 5,804	6,360 5,481	6,360 5,171	6,975 4,852	6,250 4,512	6,250 4,200		5,800 3,887	5,800 3,577	5,800 3,249	5,315 2,901	5,320 2,614	5,320 2,343	5,320 2,068	5,320 1,786	5,320 1,503	5,320 1,216	5,320 928		
STATE BUILDING TAXABLE BONDS			'87.400	3,180 1,675	290 291	290 263	290 236	290 208	290 180	290 152	290 125	290 97	290 69	285 41	285 14	0 0	0 0	0 0	0 0	0 0		

STATE OF MINNESOTA

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

GROUP & FUND & TYPE GENERAL FUND (CONT)	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1997	INTEREST PAYMENTS - MEDIUM FACE										PRINCIPAL PAYMENTS - BOLD FACE											
			1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
STATE MUNICIPAL ENERGY BUILDING BONDS																								
	'83.323	5,110 1,040	700 258	700 220	700 182	700 144	700 107	640 71	540 39	340 15	90 3	0	0	0	0	0	0	0	0	0	0	0	0	
	'94.643	2,700 666	300 139	300 122	300 105	300 89	300 74	300 59	300 44	300 27	300 9	0	0	0	0	0	0	0	0	0	0	0	0	
	'96.463	360 96	40 18	40 17	40 15	40 13	40 11	40 9	40 7	40 5	40 2	0	0	0	0	0	0	0	0	0	0	0	0	
REFUNDING BONDS	'85.16A.66	700,362 225,955	54,317 36,089	65,036 33,002	64,933 29,553	59,448 26,174	61,408 22,845	68,001 19,258	60,938 15,704	52,541 12,635	43,339 10,089	42,824 7,814	37,924 5,659	32,708 3,792	32,188 2,095	12,515 935	12,245 310	0	0	0	0	0	0	0
REINVESTMENT IN MINNESOTA (RIM)																								
	'86.383	1,600 53	1,600 53	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	'87.400	810 344	45 43	65 40	65 37	65 33	65 29	115 26	25 21	30 19	30 18	35 16	35 14	35 12	35 10	35 9	35 7	35 5	25 3	25 1	10 0	0	0	
	'89.300	1,385 308	270 78	275 60	270 42	245 26	75 16	30 13	15 11	15 11	15 10	20 9	20 8	20 7	20 6	20 5	20 4	20 2	20 1	10 1	5 0	0	0	
	'90.610	2,120 749	235 114	240 100	230 86	245 72	160 60	145 54	85 46	85 42	85 38	85 33	85 29	85 24	85 20	85 15	85 10	85 6	5 1	5 1	5 0	0	0	
	'91.354	13,510 5,606	1,075 711	1,175 649	1,175 583	1,215 518	1,145 451	795 399	600 363	595 331	595 299	580 266	580 236	580 206	580 175	580 144	580 112	580 80	515 48	335 24	230 8	0	0	
RURAL FINANCE AUTHORITY (RFA)																								
	'86.398	46,195 18,298	3,750 2,656	2,980 2,435	1,440 2,287	2,400 2,229	0 2,080	3,625 2,080	5,000 1,727	4,000 1,492	14,000 942	9,000 369	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
	'96.463	5,000 3,525	0 353	0 353	0 353	0 353	0 353	0 353	0 353	0 353	0 353	5,000 353	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
LANDFILL																								
	'94.639	20,175 10,289	1,100 1,039	1,100 983	1,100 926	1,145 870	1,040 814	1,040 761	1,040 709	1,040 653	1,040 593	1,010 532	1,010 478	1,010 427	1,010 374	1,010 321	1,010 267	1,010 213	1,010 158	1,010 103	905 53	535 13	0	
POLLUTION CONTROL																								
	'84.597	235 8	235 8	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0								
	'87.400	14,405 3,420	2,945 797	2,965 605	2,965 413	1,665 266	680 194	335 165	235 150	235 138	235 125	235 112	235 99	235 87	235 75	235 62	235 49	235 36	155 23	155 15	130 7	60 2	0	
	'89.300	5,705 1,167	1,265 317	1,195 237	1,185 159	930 91	135 58	185 51	75 43	75 39	75 35	75 31	75 27	75 23	75 19	75 15	75 11	75 7	15 3	15 2	15 1	15 0	0	
	'90.610	11,855 3,255	1,805 659	1,800 545	1,800 433	1,800 320	1,510 218	260 165	260 152	260 138	260 125	265 111	265 97	265 83	265 69	265 54	265 40	265 26	265 26	70 11	70 7	70 4	35 1	
	'92.558	17,855 8,647	1,020 940	1,025 887	1,015 833	1,015 781	1,015 728	1,060 676	1,020 620	1,020 566	1,020 511	1,020 456	1,020 401	1,020 346	1,020 289	1,015 233	1,015 175	1,020 118	890 60	525 20	50 4	50 1	0	
	'93.373	6,420 3,313	235 340	385 325	385 305	515 285	330 260	330 244	330 227	330 209	330 190	325 170	325 154	325 137	325 120	325 103	325 85	325 67	325 49	325 30	325 12	0 0	0	

STATE OF MINNESOTA

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

PRINCIPAL PAYMENTS - BOLD FACE			INTEREST PAYMENTS - MEDIUM FACE							PRINCIPAL PAYMENTS - BOLD FACE							INTEREST PAYMENTS - MEDIUM FACE						
			(\$ IN THOUSANDS)							(\$ IN THOUSANDS)													
GROUP & FUND & TYPE GENERAL FUND (CONT) POLLUTION CONTROL (CONT)	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
			'93.558 6,800 3,016	400 338	400 318	400 298	400 279	400 259	400 240	400 220	400 200	400 180	400 159	400 139	400 118	400 97	400 75	400 54	400 32	400 11	0 0	0 0	0 0
	'94.643 26,580 13,837	985 1,412	1,565 1,348	1,575 1,265	1,790 1,184	1,380 1,097	1,380 1,027		1,375 958	1,375 882	1,375 802	1,395 721	1,395 650	1,395 577	1,395 504	1,395 428	1,395 352	1,395 275	1,395 196	1,395 116	1,395 44		
	'96.463 6,000 3,080	700 293	100 273	100 268	300 258	300 243	300 228		300 213	300 197	300 180	300 162	300 146	300 131	300 115	300 100	300 84	300 69	300 53	300 38	300 23		
SPECIAL STATE BUILDING	'90.610 740 99	185 43	185 31	185 18	185 6	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
STATE TRANSPORTATION	'79.280 40 1	40 1	0 0	0 0	0 0	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
	X'85.015 190 13	95 10	95 3	0 0	0 0	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
	'87.400 2,190 971	145 117	175 109	175 99	205 89	150 79	150 71		100 64	100 59	100 53	100 48	100 42	100 37	100 31	100 26	100 20	100 14	100 8	70 3	20 1		
	'89.300 2,255 636	380 125	395 100	395 74	305 53	80 41	80 37		60 33	55 30	55 27	50 24	50 21	50 19	50 16	50 13	50 10	50 7	50 4	35 2	15 1		
	'90.610 5,230 2,236	410 281	450 257	450 231	480 205	405 180	305 160		230 146	235 133	235 120	230 107	225 95	225 83	225 71	225 58	225 45	225 33	225 20	160 9	65 2		
	'92.558 9,735 4,386	705 516	705 477	705 439	705 401	705 363	705 325		455 294	455 269	450 243	460 219	460 194	460 169	460 144	460 118	460 92	460 66	460 40	355 16	110 3		
	'93.373 5,190 2,662	235 277	310 263	310 247	400 231	270 211	270 198		270 184	270 169	270 154	270 138	270 124	265 109	265 95	265 81	265 66	260 51	260 36	260 21	205 8		
	'94.643 12,530 6,705	325 667	685 641	685 604	740 568	640 531	640 499		635 467	635 432	645 394	695 356	695 321	695 285	695 248	695 211	695 174	695 135	695 96	695 57	615 21		
	X'95.002 1,180 588	55 62	75 59	75 55	115 52	60 46	65 43		65 40	60 36	60 33	55 29	55 27	55 24	55 21	55 18	55 15	55 12	55 9	55 5	55 2		
	'96.463 950 457	70 50	70 47	70 43	90 40	50 36	50 33		50 31	50 28	50 25	40 22	40 20	40 18	40 16	40 14	40 11	40 9	40 7	40 5	40 2		
WASTE MANAGEMENT	'80.564 80 3	80 3	0 0	0 0	0 0	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
	X'85.015 725 49	370 36	345 12	5 0	5 0	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
	'87.400 1,125 262	190 62	190 50	190 38	185 27	150 16	35 11		15 9	15 9	15 8	15 7	15 6	15 5	15 4	20 3	20 2	20 1	20 0	0 0	0 0	0 0	
	'90.610 3,035 1,138	305 160	325 142	325 123	325 104	325 85	170 71		90 64	90 59	90 54	90 49	90 44	90 39	90 35	90 30	90 25	90 21	90 16	90 11	90 7		

STATE OF MINNESOTA

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

GROUP & FUND & TYPE GENERAL FUND (CONT) WASTE MANAGEMENT (CONT)	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1997	INTEREST PAYMENTS - MEDIUM FACE										PRINCIPAL PAYMENTS - BOLD FACE										
			1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
EXCHANGE BONDS	'92.558	150 25	25 8	25 6	25 5	25 4	25 2	25 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INFRASTRUCTURE DEVELOPMENT STATE BUILDING CAPITAL IMPROVEMENT	'85.16A.66	6,289 13	0 3	0 3	0 3	3,145 2	3,145 1	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
REFUNDING BONDS	'85.16A.66	59,365 28,115	120	580	650	1,420	2,170	5,580	5,915	5,955	5,770	5,760	5,760	5,685	5,690	4,135	4,175	0	0	0	0	0	0
REINVESTMENT IN MINNESOTA (RIM)	'90.610	535 209	35 27	45 25	45 23	45 20	45 18	45 16	25 14	25 13	25 11	25 10	25 9	25 7	25 6	25 5	25 3	25 2	25 1	0	0	0	0
POLLUTION CONTROL	'90.610	2,840 1,073	190	255	255	255	255	255	125 69	125 63	125 56	125 50	125 43	125 37	125 30	125 24	125 17	125 10	125 3	0	0	0	0
CIGARETTE TAX STATE BUILDING CAPITAL IMPROVEMENT	'87.400	14,755 913	8,445 701	6,310 211	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REFUNDING BONDS	'85.16A.66	11,675 2,132	0 598	2,335 543	2,335 430	2,335 311	2,335 188	2,335 63	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REINVESTMENT IN MINNESOTA (RIM)	'87.400	2,440 129	1,720 105	720 24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
POLLUTION CONTROL	'87.400	1,940 129	970 97	970 32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STATE TRANSPORTATION	'87.400	640 36	420 29	220 7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SPORTS & HEALTH TAX STATE BUILDING CAPITAL IMPROVEMENT	'87.400	3,055 208	1,615 149	1,280 53	160 5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

FUND & TYPE FUNDING BONDS		AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1997	INTEREST PAYMENTS - MEDIUM FACE (\$ IN THOUSANDS)							PRINCIPAL PAYMENTS - BOLD FACE (\$ IN THOUSANDS)										INTEREST PAYMENTS - MEDIUM FACE (\$ IN THOUSANDS)							
				1998	1999	2000	2001	2002	2003		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017				
EDUCATION FUND & HEALTH TAX (CONT)		'85.16A.66	13,335 4,555	5 715	375 706	1,540 660	1,565 583	1,625 500	1,630 413		1,275 335	1,280 265	1,260 194	1,260 122	1,260 50	130 11	130 4	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
TOTAL GENERAL FUND			1,966,462 771,835	169,347 102,483	172,996 92,911	158,623 83,689	153,033 75,373	137,053 67,483	139,386 60,252		124,233 53,065	114,681 46,638	114,929 40,335	113,229 34,250	94,364 28,392	87,653 23,592	87,138 18,962	65,785 14,871	65,550 11,335	49,135 8,192	47,260 5,449	38,110 3,066	26,315 1,308	7,645 191				
GAME & FISH		'85.16A.66	333 85	43 18	49 16	47 13	37 11	32 9	34 7		27 5	24 3	16 2	11 1	6 0	3 0	3 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
CHANGE BONDS		'85.16A.66	11 0	0 0	0 0	0 0	5 0	5 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
TOTAL GAME & FISH			343 85	43 18	49 16	47 13	42 11	37 9	34 7		27 5	24 3	16 2	11 1	6 0	3 0	3 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
TRUNK HIGHWAY		'85.16A.66	28,900 4,832	6,315 1,326	4,910 1,040	4,605 797	3,350 599	2,730 444	2,655 306		2,560 169	600 84	600 50	575 17	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
TOTAL TRUNK HIGHWAY			28,900 4,832	6,315 1,326	4,910 1,040	4,605 797	3,350 599	2,730 444	2,655 306		2,560 169	600 84	600 50	575 17	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
MAX EFFORT SCHOOL LOAN		'85.16A.66	48,805 19,784	1,780 2,577	2,235 2,463	2,540 2,324	2,795 2,167	3,090 1,994	4,330 1,780		4,900 1,526	4,515 1,276	3,790 1,062	3,770 870	3,670 678	3,325 497	3,305 327	2,385 182	2,375 61	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	
SCHOOL LOANS		'80.545	635 54	255 34	255 17	125 4	0 0	0 0	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
		'88.718	4,495 595	1,140 262	1,140 184	1,140 108	985 38	90 3	0 0		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
		'90.610	6,090 990	1,165 341	1,165 269	1,165 196	1,165 124	1,165 51	265 8		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0		
		'91.265	23,705 9,638	1,830 1,211	1,830 1,116	1,825 1,021	1,825 926	1,825 831	1,840 736		1,195 658	1,200 597	1,195 536	1,195 474	1,195 411	1,195 348	1,195 284	1,195 220	1,195 154	1,195 89	690 24	85 2	0 0	0 0	0 0	0 0		
		'92.558	6,880 2,582	595 346	595 315	595 284	595 252	595 221	595 189		300 166	300 151	300 136	300 121	300 105	300 89	300 73	300 57	300 41	300 25	300 9	10 0	0 0	0 0	0 0	0 0		
		'93.373	3,530 1,644	205 181	205 170	205 160	205 149	205 139	205 129		205 118	200 108	200 97	200 87	200 76	200 66	200 55	200 44	205 33	205 21	205 10	80 2	0 0	0 0	0 0	0 0		
		'94.643	2,825 1,456	145 148	145 140	145 132	145 124	145 116	150 109		150 102	150 93	150 84	150 76	150 69	150 61	150 53	150 45	150 37	150 29	150 21	150 12	150 4	0 0	0 0	0 0	0 0	
		X'95.002	23,115 11,926	1,190 1,188	1,190 1,126	1,190 1,063	1,190 1,001	1,190 941	1,185 882		1,185 823	1,185 759	1,185 690	1,185 621	1,180 559	1,185 499	1,185 439	1,180 377	1,180 315	1,175 252	1,175 188	1,175 125	1,175 63	630 16				
TOTAL MAX EFFORT SCHOOL LOAN			120,080 48,670	8,305 6,288	8,760 5,800	8,930 5,291	8,905 4,781	8,305 4,297	8,570 3,833		7,935 3,392	7,550 2,985	6,820 2,606	6,800 2,249	6,695 1,898	6,355 1,561	6,335 1,231	5,410 925	5,405 641	3,025 416	2,520 251	1,500 142	1,325 67	630 16				

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1997	INTEREST PAYMENTS - MEDIUM FACE					
			1998	1999	2000	2001	2002	2003
STATE UNIVERSITY SYSTEM								
STATE UNIVERSITIES		'73,759	805	805	0	0	0	0
		23	23	0	0	0	0	0
GROUP TOTAL STATE UNIVERSITY SYSTEM			805	805	0	0	0	0
		23	23	0	0	0	0	0
STATE GUARANTEED BONDS								
GUARANTEED BOND CLASS								
		'91,350	44,935	345	465	525	610	715
		41,895	2,805	2,782	2,753	2,719	2,680	2,635
GROUP TOTAL STATE GUARANTEED BONDS			44,935	345	465	525	610	715
		41,895	2,805	2,782	2,753	2,719	2,680	2,635
TOTAL PRINCIPAL - LESS GUARANTEE			2,116,590	184,815	186,715	172,205	165,330	148,125
TOTAL INTEREST - LESS GUARANTEE			825,445	110,137	99,767	89,791	80,764	72,233
TOTAL DEBT SERVICE - LESS GUARANTEE (1)			2,942,035	294,952	286,482	261,996	246,094	220,358
								215,042
TOTAL PRINCIPAL - ALL FUNDS			2,161,525	185,160	187,180	172,730	165,940	148,840
TOTAL INTEREST - ALL FUNDS			867,340	112,943	102,548	92,544	83,483	74,913
TOTAL DEBT SERVICE - ALL FUNDS (1)			3,028,865	298,103	289,728	265,274	249,423	223,753
								218,427

The Total Debt Service - All Funds does not include:

\$40,600,000 of bonds dated July 1, 1987; \$38,690,000 of bonds dated April 1, 1988; \$23,200,000 of bonds dated July 1, 1988;
\$110,050,000 of bonds dated August 1, 1989; \$97,900,000 of bonds dated July 1, 1990; \$95,900,000 of bonds dated August 1, 1991;
\$81,650,000 of bonds dated July 1, 1992;

For which funds are held in escrow, have been invested and will be sufficient to pay the principal of, and interest on, the bonds to their earliest call date.

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1998-2017

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

PRINCIPAL PAYMENTS - BOLD FACE	INTEREST PAYMENTS - MEDIUM FACE												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2004	0	0	0	0	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0	0	0	0

134,755 122,855 122,365 120,615 101,065 94,010 93,475 71,195 70,955 52,160 49,780 39,610 27,640 8,275

56,630 49,711 42,993 36,516 30,291 25,153 20,193 15,796 11,976 8,608 5,700 3,208 1,375 207

191,385 172,566 165,358 157,131 131,356 119,163 113,668 86,991 82,931 60,768 55,480 42,818 29,015 8,482

135,560 123,710 123,340 121,650 102,170 95,190 94,735 72,545 72,385 53,675 51,385 68,020 27,640 8,275

59,217 52,245 45,469 38,925 32,629 27,413 22,370 17,890 13,986 10,530 7,526 4,095 1,375 207

194,777 175,955 168,809 160,575 134,799 122,603 117,105 90,435 86,371 64,205 58,911 72,115 29,015 8,482

STATE OF MINNESOTA
AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT
BY PURPOSE AS OF JUNE 30, 1997
(In Thousands)

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
1971- 856 (1)	Municipal Aid	\$ 1,192	Municipal Aid	\$ 1,192	\$ -	\$ 1,192
1983- 323	Building	30,000	Municipal Energy	30,000	29,180	820
1984- 597	Transportation	16,000	Railroad Rehabilitation Local Interstate Substitution	12,000 4,000	9,000	7,000
1987- 400 (2)(3)(4)(5)	Building	369,687	Supreme Court Administration Capital Area Architectural Planning Board Natural Resources Energy & Economic Development Iron Range Resources and Rehabilitation Board Military Affairs Veterans Affairs Historical Society Education Vocational Technical Education Community College State Universities University of Minnesota Corrections Human Services Minnesota Center for the Arts Other	32,288 19,554 299 16,745 46,250 2,200 2,500 2,500 54,284 10,981 33,190 34,939 52,466 47,773 2,259 7,171 4,000 287	369,511	177
1987- 400	Water Pollution Control	66,747	Prevention, Control, Abatement of Water Pollution	66,747	66,740	7
1987- 400	Reinvest in Minnesota	19,000	Agriculture Natural Resources	9,000 10,000	18,970	30
1989- 300 (2)(3)(4)(5)	Building	135,740	Vocational Technical Education Community Colleges State Universities University of Minnesota Education Human Services Corrections Health Veterans Home Board Economic Security Historical Society Administration Capital Area Architectural and Planning Board Natural Resources Pollution Control Agency Public Facilities Authority Trade and Economic Development Military Affairs Other	5,110 5,805 27,658 14,194 2,685 9,097 2,600 390 165 1,000 301 35,874 166 3,348 10,125 12,700 4,021 400 97	131,885	3,855
1989- 300	Transportation	8,000	County Municipal Township Bridges	8,000	7,915	85
1989- 300	Reinvest in Minnesota	5,000	Board of Water and Soil Resources Natural Resources	1,500 3,500	4,965	35
1990- 610 (2)(3)(4)(5)	Building	328,340	Technical Colleges Community Colleges State Universities University of Minnesota Education Human Services Corrections Health Veterans Home Board	25,361 50,488 42,945 71,480 4,793 13,446 13,121 1,376 1,750		

STATE OF MINNESOTA
AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT
BY PURPOSE AS OF JUNE 30, 1997
(In Thousands)

<u>Authorization</u>	<u>Type</u>	<u>Total Authorized</u>	<u>Components/Purpose</u>	<u>Amounts Authorized</u>	<u>Issued</u>	<u>Net Authorized Unissued</u>
			Economic Security	750		
			Historical Society	3,175		
			Administration	13,665		
			Capital Area Architectural and Planning Board	300		
			Natural Resources	14,934		
			Pollution Control Agency	27,225		
			Public Facilities Authority	30,954		
			Trade and Economic Development	5,000		
			Military Affairs	200		
			Public Safety	545		
			Indian Affairs Council	50		
			Amateur Sports Commission	5,000		
			Housing Finance Agency	1,500		
			Other	279	325,806	2,534
1990- 610 (5)	Transportation	11,035	County Municipal Township Bridges	11,035	9,675	1,360
1990- 610 (5)	Reinvest in Minnesota	5,375	Board of Water and Soil Resources	2,375		
			Natural Resources	3,000	5,350	25
1990- 610	Waste Management	7,000	Waste Processing Facility Assistance	7,000	6,570	430
1991- 350 (5)	Airport Facilities	126,235	Airport Facilities	126,235	44,960	81,275
1991- 354	Wetlands/Reinvest in Minnesota	28,000	Board of Water and Soil Resources	13,900		
			Natural Resources	7,545		
			Trade and Economic Development	6,525	27,300	700
1992- 558 (3)(4)(5)	Building	223,035	Technical Colleges	12,607		
			Community Colleges	14,630		
			State Universities	12,870		
			University of Minnesota	61,900		
			Education	13,606		
			Human Services	21,960		
			Corrections	11,082		
			Economic Security	2,000		
			Housing Finance Agency	3,000		
			Administration	24,343		
			Military Affairs	2,400		
			Trade and Economic Development	4,550		
			Public Facilities Authority	7,500		
			Natural Resources	11,682		
			Board of Water and Soil Resources	1,250		
			Agriculture	365		
			Pollution Control Agency	13,050		
			Minnesota Zoological Garden	1,815		
			Historical Society	2,375		
			Other	195	216,860	6,175
1992- 558	Transportation	17,500	County Municipal Township Bridges	17,500	12,905	4,595
1992- 558	Waste Management	2,000	Waste Processing Facility Assistance	2,000		2,000
1993- 373 (3)(5)	Building	54,615	Technical Colleges	667		
			Community Colleges	1,367		
			State Universities	1,161		
			University of Minnesota	2,000		
			Education	7,000		
			Human Services	8,765		
			Corrections	9,812		
			Administration	8,246		
			Historical Society	150		
			Public Facilities Authority	4,000		
			Pollution Control Agency	11,000		
			Veterans Home Board	400		
			Other	47	53,800	815

STATE OF MINNESOTA
AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT
BY PURPOSE AS OF JUNE 30, 1997
(In Thousands)

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
1993- 373	Transportation	9,900	County Municipal Township Bridges	9,900	7,940	1,960
1994- 639	Landfill	90,000	Environmental Response Actions at Municipal Solid Waste Disposal facilities	90,000	20,700	69,300
1994- 643 (4)	Building	568,140	Technical Colleges Community Colleges State Universities University of Minnesota Education Human Services Corrections Administration Capital Area Architectural and Planning Board Finance Veterans Homes Board Amateur Sports Commission Military Affairs Housing Finance Agency Economic Security Labor Interpretive Center Historical Society Trade and Economic Development MN Technologies, Inc. Natural Resources Public Facilities Authority Pollution Control Agency Board of Water and Soil Resources Zoological Garden Other	45,505 36,945 57,250 68,700 36,967 47,550 72,953 32,275 5,098 5,400 10,630 3,119 366 2,500 2,500 750 6,960 4,900 400 58,641 13,400 23,401 9,800 21,500 630	392,870	175,270
1994- 643	Building	4,000	Municipal Energy	4,000	3,000	1,000
1994- 643	Transportation	45,000	County Municipal Township Bridges Federal Aid Demonstration Projects Light Rail Transit Transit Capital Improvements	21,076 3,924 10,000 10,000	13,485	31,515
X1995- 2	Building	5,630	MN State Colleges and Universities Administration Agriculture Natural Resources Pollution Control Agency Public Safety Other	750 1,881 103 1,700 750 410 36	4,630	1,000
X1995- 2	Transportation	4,500	County Municipal Township Bridges	4,500	895	3,605
1996- 463 (5)	Building	511,825	MN State Colleges and Universities University of Minnesota Children, Families and Learning Center for Arts Education Residential Academies Natural Resources Pollution Control Agency Public Facilities Authority Board of Water and Soil Resources Agriculture Administration Amateur Sports Commission Military Affairs Corrections Human Services Veterans Homes Board Transportation Housing Finance Agency	86,431 93,804 19,100 6,879 2,306 36,120 3,350 22,100 14,750 275 78,560 21,600 900 93,430 8,722 740 10,500 2,500		

STATE OF MINNESOTA
AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT
BY PURPOSE AS OF JUNE 30, 1997
(In Thousands)

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
			Economic Security	3,500		
			Historical Society	5,650		
			Other	608	137,225	374,600
1996- 463	Building	4,000	Municipal Energy	4,000	400	3,600
1996- 463	Waste Management	3,000	Waste Processing Facility Assistance	3,000	-	3,000
1996- 463	Transportation	10,000	County Municipal Township Bridges	10,000	1,000	9,000
1996- 463	Rural Finance Authority	41,000	Farm Loan Restructuring	41,000	5,000	36,000
1997- 246	Building	86,625	Administration MN State Colleges and Universities Natural Resources Public Facilities Authority Other	74,035 4,500 4,000 4,000 90	-	86,625
1997- 246	Transportation	3,000	County Municipal Township Bridges	3,000	-	3,000
Total Authorized, Unissued					\$	912,585

(1) Laws 1984, Chapter 597 reduced the Municipal Aid Bonds authorization in Laws 1971, Chapter 856 by \$15,670,000. Minnesota Statutes 16A.642, adopted in 1995, reduced the authorization in Laws 1971, Chapter 856 by \$494,254. Laws 1997, Chapter 202 reduced the Municipal Aid Bonds authorized in Laws 1971, Chapter 856 by an additional \$2,643,451.

(2) Laws 1993, Chapter 373 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$700,000, Laws 1989, Chapter 300 by \$2,550,000, and Laws 1990, Chapter 610 by \$2,500,000.

(3) Laws 1994, Chapter 643 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$240,000, Laws 1989, Chapter 300 by \$895,000, Laws 1990, Chapter 610 by \$115,000; Laws 1992, Chapter 558 by \$65,000; and Laws 1993, Chapter 373 by \$15,000.

(4) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$50,000, Laws 1989, Chapter 300 by \$65,000; Laws 1990, Chapter 610 by \$580,000; Laws 1992, Chapter 558 by \$5,000, and Laws 1994, Chapter 643 by \$1,245,000. Special Session Laws 1995, Chapter 2 also reduced the Transportation Bond authorization in Laws 1987, Chapter 400 by \$10,000.

(5) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$295,000, Laws 1989, Chapter 300 by \$3,335,000; Laws 1990, Chapter 610 by \$9,260,000; Laws 1992, Chapter 558 by \$6,590,000, Laws 1993, Chapter 373 by \$10,000 and Laws 1996, Chapter 463 by \$37,285,000. Laws 1997, Chapter 202 also reduced the Transportation Bond authorization in Laws 1990, Chapter 610 by \$165,000; the Reinvest in Minnesota authorization in Laws 1990, Chapter 610 by \$20,000, and Airport Facility Bond authorized in Laws 1991, Chapter 350 by \$48,765,000.

STATE OF MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS
JUNE 30, 1997
(IN THOUSANDS)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		PRIMARY GOVERNMENT TOTALS	
	GENERAL		SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATION	(MEMORANDUM ONLY)	COMPONENT UNITS
	ASSETS AND OTHER DEBITS										JUNE 30, 1997	
Cash and Cash Equivalents	\$ 2,100,613		\$ 1,046,159	\$ 145,580	\$ 281,284	\$ 60,716	\$ 75,102	\$ 1,652,571	\$ -	\$ -	\$ 5,362,025	\$ 967,748
Investments	-		-	-	52,459	22,298	19,812	32,498,471	-	-	32,593,040	1,793,385
Accounts Receivable	378,954		161,461	392	70	19,563	28,795	90,654	-	-	679,889	332,533
Interfund Receivables	81,110		66,417	67	19,068	154	25	68,352	-	-	235,193	28,735
Due from Other Governmental Units	-		-	-	-	-	-	-	-	-	-	9,863
Due from Component Units	15,642		17	-	-	-	-	-	-	-	15,659	-
Due from Primary Government	-		-	-	-	-	-	-	-	-	-	83,776
Accrued Investment/Interest Income	42,070		12	16	479	950	204	5,745	-	-	49,476	37,648
Federal Aid Receivable	-		360,394	-	-	-	-	253	-	-	360,647	45,927
Inventories	-		14,569	-	-	13,805	1,188	2,197	-	-	31,759	29,965
Food Stamps	-		39,401	-	-	-	-	-	-	-	39,401	-
Deferred Costs	-		-	-	-	620	666	-	-	-	1,286	15,754
Restricted Assets	-		-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	-		-	-	-	-	-	-	-	-	-	321,606
Investments	-		-	-	-	19,816	-	-	-	-	19,816	419,518
Loans Receivable	-		-	-	-	-	-	-	-	-	-	180,445
Loans Receivable between Component Units	-		-	-	-	-	-	-	-	-	-	246,790
Other Restricted Assets	-		-	-	-	-	-	-	-	-	-	60,467
Loans and Notes Receivable	13,984		92,836	48,370	-	35,153	-	20,981	-	-	211,324	2,128,110
Advances to Other Funds	2,969		2,075	-	-	-	-	-	-	-	5,044	-
Securities Lending Collateral	-		-	-	-	-	-	3,730,739	-	-	3,730,739	-
Fixed Assets (Net)	-		-	-	-	83,706	36,088	16,962	2,701,750	-	2,838,506	2,269,065
Other Assets	-		41	-	-	164	-	-	-	-	205	1,913
Amount Available for Debt Service	-		-	-	-	-	-	-	183,665	-	183,665	36,012
Amount to be Provided for Debt Service	-		-	-	-	-	-	-	2,871,450	-	2,871,450	121,650
Total Assets and Other Debits	\$ 2,635,342		\$ 1,783,382	\$ 194,425	\$ 353,360	\$ 256,945	\$ 161,880	\$ 38,086,925	\$ 2,701,750	\$ 3,055,115	\$ 49,229,124	\$ 9,130,910
LIABILITIES, EQUITY AND OTHER CREDITS												
Liabilities	-		-	-	-	-	-	-	-	-	-	-
Warrants Payable	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,530	\$ -	\$ -	\$ 133,530	\$ -
Accounts Payable	928,928		482,299	23,560	366	23,015	38,008	58,406	-	-	1,554,582	824,387
Interfund Payables	44,247		123,759	6,992	-	13,745	4,409	42,041	-	-	235,193	25,511
Payable to Other Governmental Units	-		-	-	-	-	-	-	-	-	-	1,861
Due to Component Units	83,240		536	-	-	-	-	-	-	-	83,776	-
Due to Primary Government	-		-	-	-	-	-	-	-	-	-	21,531
Loans Payable between Component Units	-		-	-	-	-	-	-	-	-	-	271,198
Deferred Revenue	93,136		73,023	-	-	1,509	333	3,007	-	-	171,008	60,854
Payable from Restricted Assets	-		-	-	-	-	-	-	-	-	-	-
General Obligation Bonds Payable	-		-	-	-	805	-	-	-	-	805	40,868
Revenue Bonds Payable	-		-	-	-	715	-	-	-	-	715	529,368
Accrued Bond Interest Payable	-		-	-	-	19	-	-	-	-	19	72,749
Interfund Payables	-		-	-	-	-	-	-	-	-	-	3,224
Other Payable from Restricted Assets	-		-	-	-	3,230	-	-	-	-	3,230	78,387
General Obligation Bonds Payable	-		-	-	-	-	-	-	2,160,719	-	2,160,719	671,499
Loans and Notes Payable	-		85	-	-	619	34,635	-	20,964	-	56,303	609
Revenue Bonds Payable	-		-	-	-	32,055	-	-	156,015	-	188,070	1,974,638
Grants Payable	-		-	-	-	-	-	-	-	-	-	34,030
Claims Payable	-		-	-	-	-	-	-	348,925	-	348,925	33,233
Compensated Absences Payable	-		-	-	-	4,593	3,089	1,675	245,144	-	254,501	33,499
Advances from Other Funds	-		3	995	-	2,075	1,971	-	-	-	5,044	-
Workers Compensation Liability	-		-	-	-	-	-	-	106,877	-	106,877	-
Securities Lending Collateral	-		-	-	-	-	-	3,730,739	-	-	3,730,739	43,810
Funds Held in Trust	-		-	-	156	-	-	1,620,370	-	-	1,620,526	189,928
Other Liabilities	-		580	-	-	4,668	-	-	-	16,471	21,719	28,704
Total Liabilities	\$ 1,149,551		\$ 680,285	\$ 31,547	\$ 522	\$ 87,048	\$ 82,445	\$ 5,589,768	\$ -	\$ 3,055,115	\$ 10,676,281	\$ 4,939,888
Equity and Other Credits	-		-	-	-	-	-	-	-	-	-	-
Contributed Capital	\$ -		\$ -	\$ -	\$ -	\$ 15,158	\$ 6,064	\$ -	\$ -	\$ -	\$ 21,222	\$ 704,720
Investment in General Fixed Assets	-		-	-	-	-	-	-	2,701,750	-	2,701,750	955,364
Retained Earnings	-		-	-	-	-	-	-	-	-	-	-
Reserved Retained Earnings	-		-	-	-	13,570	59,646	-	-	-	73,216	634,499
Unreserved Retained Earnings	-		-	-	-	141,169	13,725	-	-	-	154,894	576,198
Fund Balances	-		-	-	-	-	-	-	-	-	-	-
Reserved for Encumbrances	113,288		122,528	841	-	-	-	8,714	-	-	245,371	17,350
Budgetary Reserve	583,500		-	-	-	-	-	-	-	-	583,500	-
Other Reserved Fund Balances	16,255		166,022	163,979	352,838	-	-	31,903,680	-	-	32,602,774	833,114
Designated Fund Balances	130,404		256,447	2,272	-	-	-	584,763	-	-	973,886	280,974
Undesignated Fund Balances	642,344		558,100	(4,214)	-	-	-	-	-	-	1,196,230	182,290
Total Equity and Other Credits	\$ 1,485,791		\$ 1,103,097	\$ 162,878	\$ 352,838	\$ 169,897	\$ 79,435	\$ 32,497,157	\$ 2,701,750	\$ -	<	

STATE OF MINNESOTA
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS
 FISCAL YEARS 1988-1997
 (In Thousands)

	1988	1989	1990	1991		1992	1993	1994	1995	1996	1997
Individual Income Taxes.....	\$2,626,343	\$2,491,602	\$2,881,050	\$2,969,239		\$ 3,148,740	\$ 3,470,244	\$ 3,532,465	\$ 3,774,855	\$ 4,129,026	\$ 4,757,086
Corporate Income Taxes.....	416,646	500,177	481,311	462,943		428,412	507,703	546,558	667,542	696,393	665,321
Sales Tax	1,681,263	1,779,569	1,869,592	1,961,716		2,192,547	2,375,793	2,515,224	2,728,525	2,933,886	3,013,188
Gross Earnings Taxes	224,490	220,007	164,139	159,745		146,487	145,248	136,768	146,646	122,879	178,626
Motor Vehicle Excise Tax.....	235,907	249,507	256,589	236,236		270,151	295,755	332,491	346,673	380,574	401,079
Motor Vehicle License Tax.....	254,061	272,476	297,351	331,783		349,549	384,209	420,471	416,793	450,216	487,064
Gasoline and Special Fuel Taxes.....	386,971	449,621	456,723	451,995		457,826	462,136	482,453	484,573	520,702	542,896
Other Taxes	382,140	427,094	441,290	516,981		623,714	712,043	827,520	908,515	949,206	919,037
Federal Revenues.....	1,821,810	1,959,518	2,151,582	2,213,281		2,508,640	2,777,061	2,986,532	3,157,038	3,384,598	3,498,849
Other Revenues.....	<u>601,652</u>	<u>679,575</u>	<u>751,114</u>	<u>756,795</u>		<u>781,761</u>	<u>789,002</u>	<u>906,186</u>	<u>964,623</u>	<u>1,217,204</u>	<u>1,299,714</u>
Net Revenues.....	<u><u>\$8,631,283</u></u>	<u><u>\$9,029,146</u></u>	<u><u>\$9,750,741</u></u>	<u><u>\$10,060,714</u></u>		<u><u>\$10,907,827</u></u>	<u><u>\$11,919,194</u></u>	<u><u>\$12,686,668</u></u>	<u><u>\$13,595,783</u></u>	<u><u>\$14,784,684</u></u>	<u><u>\$15,762,860</u></u>

STATE OF MINNESOTA
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS
 FISCAL YEARS 1988-1997
 (In Thousands)

	1988	1989	1990	1991		1992	1993	1994	1995	1996	1997
Individual Income Taxes.....	\$2,626,343	\$2,491,602	\$2,881,050	\$2,969,239		\$ 3,148,740	\$ 3,470,244	\$ 3,532,465	\$ 3,774,855	\$ 4,129,026	\$ 4,757,086
Corporate Income Taxes.....	416,646	500,177	481,311	462,943		428,412	507,703	546,558	667,542	696,393	665,321
Sales Tax	1,681,263	1,779,569	1,869,592	1,961,716		2,192,547	2,375,793	2,515,224	2,728,525	2,933,886	3,013,188
Gross Earnings Taxes	224,490	220,007	164,139	159,745		146,487	145,248	136,768	146,646	122,879	178,626
Motor Vehicle Excise Tax.....	235,907	249,507	256,589	236,236		270,151	295,755	332,491	346,673	380,574	401,079
Motor Vehicle License Tax.....	254,061	272,476	297,351	331,783		349,549	384,209	420,471	416,793	450,216	487,064
Gasoline and Special Fuel Taxes.....	386,971	449,621	456,723	451,995		457,826	462,136	482,453	484,573	520,702	542,896
Other Taxes	382,140	427,094	441,290	516,981		623,714	712,043	827,520	908,515	949,206	919,037
Federal Revenues.....	1,821,810	1,959,518	2,151,582	2,213,281		2,508,640	2,777,061	2,986,532	3,157,038	3,384,598	3,498,849
Other Revenues.....	<u>601,652</u>	<u>679,575</u>	<u>751,114</u>	<u>756,795</u>		<u>781,761</u>	<u>789,002</u>	<u>906,186</u>	<u>964,623</u>	<u>1,217,204</u>	<u>1,299,714</u>
Net Revenues.....	<u><u>\$8,631,283</u></u>	<u><u>\$9,029,146</u></u>	<u><u>\$9,750,741</u></u>	<u><u>\$10,060,714</u></u>		<u><u>\$10,907,827</u></u>	<u><u>\$11,919,194</u></u>	<u><u>\$12,686,668</u></u>	<u><u>\$13,595,783</u></u>	<u><u>\$14,784,684</u></u>	<u><u>\$15,762,860</u></u>

STATE OF MINNESOTA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION AND NET TRANSFERS-OUT (1)
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE
 FISCAL YEARS 1988-1997
 (In Thousands)

	1988	1989	1990	1991		1992	1993	1994	1995	1996	1997
Current Expenditures:											
Protection of Persons/Property.....	\$ 118,376	\$ 129,357	\$ 142,613	\$ 157,528		\$ 169,391	\$ 178,778	\$ 183,695	\$ 196,981	\$ 202,535	\$ 230,252
Transportation	253,540	263,339	283,256	304,486		316,628	329,310	324,729	374,194	351,712	403,806
Resource Management	145,498	158,710	177,919	196,699		216,059	226,664	223,237	233,167	273,961	283,296
Economic/Manpower Development	157,734	176,742	192,726	200,036		221,856	258,183	250,532	263,451	191,283	209,404
Education	365,818	408,984	461,412	501,098		505,997	529,844	551,987	562,672	723,923	869,754
Health and Social Services.....	399,713	417,716	467,149	545,547		539,419	558,076	596,449	698,295	736,466	849,510
General Government	166,060	178,581	200,603	187,190		492,968	486,578	398,742	330,482	419,555	418,796
Capital Outlay	446,849	443,369	508,723	465,632		277,741	313,776	295,731	285,344	522,296	378,707
Debt Service.....	175,702	181,330	245,278	276,982		7,868,726	8,164,541	8,614,081	9,068,110	9,920,296	10,160,159
Grants and Subsidies.....	<u>5,812,261</u>	<u>6,136,187</u>	<u>6,750,608</u>	<u>7,453,042</u>							
Total Expenditures	<u>\$8,041,551</u>	<u>\$8,494,315</u>	<u>\$9,430,287</u>	<u>\$10,288,240</u>		<u>\$10,814,219</u>	<u>\$11,267,891</u>	<u>\$11,672,044</u>	<u>\$12,271,305</u>	<u>\$13,615,813</u>	<u>\$14,078,592</u>
Net Operating Transfers-Out (2).....	<u>245,917</u>	<u>301,420</u>	<u>293,079</u>	<u>232,882</u>		<u>247,642</u>	<u>261,904</u>	<u>258,186</u>	<u>277,012</u>	<u>302,618</u>	<u>317,092</u>
Total Expenditures and Net Transfers-Out.....	<u><u>\$8,287,468</u></u>	<u><u>\$8,795,735</u></u>	<u><u>\$9,723,366</u></u>	<u><u>\$10,521,122</u></u>		<u><u>\$11,061,861</u></u>	<u><u>\$11,529,795</u></u>	<u><u>\$11,930,230</u></u>	<u><u>\$12,548,317</u></u>	<u><u>\$13,918,431</u></u>	<u><u>\$14,395,684</u></u>

STATE OF MINNESOTA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION AND NET TRANSFERS-OUT (1)
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE
 FISCAL YEARS 1988-1997
 (In Thousands)

	1988	1989	1990	1991		1992	1993	1994	1995	1996	1997
Current Expenditures:											
Protection of Persons/Property.....	\$ 118,37										

STATE OF MINNESOTA
ASSESSED VALUE OF TAXABLE PROPERTY
1988-1997

<u>Year of Assessment</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Tax Assessed Value/ Tax Capacity (1)</u>	<u>Percentage Increase Per Year</u>
1988	\$3,789,536,570	\$108,915,980	\$3,898,452,550	N/A %
1989 (1)	3,023,231,788	131,014,287	3,154,246,075	N/A
1990	3,146,653,676	134,539,984	3,281,193,660	4.02
1991	3,100,542,487	133,137,661	3,233,680,148	(1.45)
1992	3,068,090,432	137,961,249	3,206,051,681	(0.85)
1993	3,036,843,689	134,339,758	3,171,183,447	(1.09)
1994	3,157,294,317	139,515,555	3,296,809,872	3.96
1995	3,350,007,524	147,560,824	3,467,568,348	5.18
1996	3,594,280,546	154,793,236	3,749,073,782	8.12
1997(est)	3,484,000,000	141,000,000	3,625,000,000	3.31

(1) Laws of 1988 changed the basis for calculating taxes from the assessed value and mill rate to the gross tax capacity rate for 1988 taxes payable in 1989, and to the net capacity rate for 1989 and subsequent years. Therefore, values for 1988 and 1989 are not comparable with each other nor with values for earlier years.

Source: Minnesota Department of Revenue.

STATE OF MINNESOTA
 MARKET VALUE OF TAXABLE PROPERTY
 1988-1997

<u>Year of Assessment</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Market Value</u>	<u>Percentage Increase Per Year</u>
1988	\$128,658,534,060	\$2,111,366,270	\$130,769,900,330	5.76 %
1989	135,675,706,727	2,649,874,844	138,325,581,571	5.78
1990	143,606,454,726	2,783,575,907	146,390,030,633	5.83
1991	149,150,447,836	2,873,816,502	152,024,264,338	3.85
1992	153,992,608,020	3,007,985,604	157,000,593,624	3.27
1993	159,008,719,142	2,990,779,548	161,999,498,690	3.18
1994	166,739,642,423	3,104,511,567	169,844,153,990	4.84
1995	177,163,788,491	3,282,461,951	180,446,250,442	6.24
1996	189,112,448,343	3,440,030,594	192,552,478,937	6.71
1997(est)	201,795,000,000	3,552,000,000	205,347,000,000	6.64

Source: Minnesota Department of Revenue.

STATE OF MINNESOTA
SCHEDULE OF RATIO OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
OF TAXABLE PROPERTY AND GENERAL OBLIGATION BONDED DEBT PER CAPITA
FISCAL YEARS 1988-1997

<u>Year</u>	<u>General Obligation Bonded Debt (In Thousands)</u>	<u>Percent Debt to Assessed Value (1)</u>	<u>Bonded Debt Per Capita</u>
1988	\$1,277,783	4.12 %	\$296.7
1989	1,404,145	N/A (2)	322.6
1990	1,507,645	N/A	344.6
1991	1,573,630	N/A	357.9
1992	1,630,105	N/A	364.7
1993	1,706,885	N/A	377.5
1994	1,769,435	N/A	388.7
1995	1,892,169	N/A	409.5
1996	2,162,015	N/A	462.9
1997	2,160,719	N/A	458.0

(1) Includes real property only.

(2) Comparable information no longer available. See note on statistical table for assessed value of taxable property.

STATE OF MINNESOTA
 SCHEDULE OF RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION
 BONDED DEBT TO GENERAL EXPENDITURES
 FISCAL YEARS 1988-1997
 (In Thousands)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>General Expenditures (1)</u>	<u>Percent of Expenditures</u>
1988	\$ 87,195	\$ 88,507	\$175,702	\$ 8,041,551	2.18 %
1989	83,865	87,528	171,393	8,494,311	2.02
1990	121,475	96,276	217,751	9,430,287	2.31
1991	133,990	103,642	237,632	10,288,240	2.31
1992	138,525	112,104	250,629	10,814,219	2.32
1993	140,885	116,614	257,499	11,267,891	2.29
1994	155,743	118,454	274,197	11,672,044	2.35
1995	160,666	99,036	259,702	12,271,305	2.12
1996	169,780	102,747	272,527	13,652,240	1.99
1997	171,295	180,991	352,286	14,078,592	2.50

(1) Includes the General, Special Revenue and Debt Service Funds.

SCHEDULE OF REVENUE BOND COVERAGE
STATE UNIVERSITY BOARD REVENUE FUND
FISCAL YEARS (1988-1997)
(Dollars in Thousands)

<u>Year</u>	Direct						
	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1988	\$33,675	\$24,683	\$8,992	\$1,700	\$1,903	\$3,603	2.49
1989	36,813	26,053	10,760	1,510	1,649	3,159	3.40
1990	39,415	27,610	11,805	3,215	1,828	5,043	2.34
1991	40,449	30,790	9,659	4,675	1,746	6,421	1.50
1992	39,831	30,525	9,306	580	1,545	2,125	4.37
1993	38,674	29,698	8,976	605	1,371	1,976	4.54
1994	39,051	30,969	8,082	945	2,342	3,287	2.45
1995	41,492	31,715	9,777	945	2,217	3,162	3.09
1996	45,105	34,491	10,614	1,420	2,200	3,620	2.93
1997	46,036	34,508	11,528	1,450	1,974	3,424	3.36

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

(2) Depreciation, amortization, interest and financing expenses are not included.

STATE OF MINNEOSTA
SCHEDULE OF REVENUE BOND COVERAGE
VERMILLION COMMUNITY COLLEGE DORMITORY
COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES
FISCAL YEARS (1989-1997)
(Dollars in Thousands)

<u>Year</u>	Direct						
	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1989	\$268	\$55	\$213	\$ -	\$130	\$130	1.63
1990	243	84	159	35	111	146	1.08
1991	269	98	171	35	107	142	1.20
1992	255	114	141	40	105	145	0.97
1993	242	132	110	40	102	142	0.77
1994	369	133	236	89	154	243	0.97
1995	425	126	299	83	161	244	1.22
1996	448	230	218	42	116	158	1.37
1997	495	172	323	99	145	244	1.32

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

(2) Depreciation, amortization, interest and financing expenses are not included.

MINNESOTA BANK DEPOSITS AND GROSS RETAIL SALES
1988-1997
(In Millions)

<u>Year</u>	<u>Bank Deposits</u>	<u>Retail Sales</u>
1988	\$41,176	\$33,302
1989	40,799	37,019
1990	45,384	39,638
1991	45,300	37,919
1992	43,771	38,630
1993	45,157	40,457
1994	44,826	42,925
1995	46,809	45,723
1996	51,361	N/A
1997	71,706	N/A

Sources: Federal Deposit Insurance Corporation
Minnesota Department of Revenue, Unpublished

MINNESOTA POPULATION, PER CAPITA PERSONAL INCOME AND UNEMPLOYMENT
1988-1997

<u>Year</u>	<u>Population (In Thousands)</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>
1988	4,307	17,105	4.0 %
1989	4,341	18,412	4.4
1990	4,385	19,375	4.8
1991	4,429	19,881	5.1
1992	4,477	21,186	5.1
1993	4,530	21,643	5.1
1994	4,576	22,917	3.9
1995	4,629	23,944	3.7
1996	4,658	25,580	4.0
1997 (est)	4,718	26,674	3.2

Source: Data Resources Incorporated.

STATE OF MINNESOTA
NEW HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING LOCALITIES
1988-1997
(In Thousands)

<u>Year</u>	<u>Valuation</u>	<u>Year</u>	<u>Valuation</u>
1988	\$2,071,921	1993	\$2,672,436
1989	1,946,611	1994	2,557,846
1990	1,867,065	1995	2,589,746
1991	1,882,328	1996	2,902,560
1992	2,481,644	1997	N/A

Source: U.S. Bureau of the Census Construction Reports.

EMPLOYMENT MIX IN MINNESOTA

1988-1997

(In Thousands)

<u>Category</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u> (est)
Manufacturing Durable	234.5	235.0	231.5	225.3	223.9	230.8	237.7	243.6	244.8	249.7
Manufacturing Non-Durable	159.6	164.8	169.3	171.0	171.9	174.7	178.4	182.3	183.5	186.4
Mining	7.1	7.7	8.1	7.9	7.6	7.5	7.6	7.9	7.9	8.0
Construction	77.9	79.0	79.5	75.8	76.9	79.1	80.6	82.7	88.7	92.6
Transportation/Public Utilities	101.7	105.2	109.5	110.2	109.4	109.2	113.8	117.0	119.7	122.7
Trade	505.3	514.3	518.5	517.4	426.9	536.6	559.2	576.7	592.9	603.5
Finance/Insurance/Real Estate	119.6	121.0	125.2	127.5	129.6	135.7	140.1	138.2	142.5	145.4
Service	501.6	531.1	549.3	558.2	592.6	614.4	635.8	659.4	685.1	705.1
Government	320.8	328.7	337.8	343.3	346.9	353.8	324.3	332.2	332.4	339.1
Agriculture	<u>101.2</u>	<u>101.6</u>	<u>107.6</u>	<u>93.8</u>	<u>84.1</u>	<u>84.6</u>	<u>82.8</u>	<u>72.9</u>	<u>78.1</u>	<u>70.9</u>
Total Employed	2,129.3	2,188.4	2,236.3	2,230.4	2,169.8	2,326.4	2,360.3	2,413.1	2,475.6	2,523.4

Source: Minnesota Department of Jobs and Training

STATE OF MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS,
 AND DISCRETELY PRESENTED COMPONENT UNITS
 YEAR ENDED JUNE 30, 1997
 (IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					FIDUCIARY FUND TYPE EXPENDABLE TRUST	PRIMARY GOVERNMENT TOTALS FOR THE YEAR ENDED (MEMORANDUM ONLY)		COMPONENT UNITS
	GENERAL		SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE		JUNE 30, 1997		
Net Revenues									
Individual Income Taxes	\$ 4,757,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,757,086	\$ -	
Corporate Income Taxes	665,321	-	-	-	-	-	665,321	-	
Sales Taxes	3,013,188	-	-	-	-	-	3,013,188	-	
Motor Vehicle License Taxes	-	487,064	-	-	-	-	487,064	-	
Fuel Taxes	-	542,896	-	-	-	-	542,896	-	
Other Taxes	1,124,936	358,237	-	15,569	392,154	-	1,890,896	88,537	
Federal Revenues	129	3,498,720	-	-	6,469	-	3,505,318	1,550	
License Fees	134,013	228,141	-	-	-	-	362,154	-	
Care and Hospitalization Revenues	105,862	695	-	-	-	-	106,557	-	
Tuition and Student Fees	266,505	12,070	-	-	-	-	278,575	-	
Departmental Services	45,277	86,810	-	-	-	-	132,087	-	
Investment/Interest Income	121,851	43,251	12,527	21,184	58,883	-	257,696	12,021	
Other Revenues	108,063	124,983	1,715	1,009	20,645	-	256,415	56,186	
Net Revenues	\$ 10,342,231	\$ 5,382,867	\$ 14,242	\$ 37,762	\$ 478,151		\$ 16,255,253	\$ 158,294	
Expenditures									
Current:									
Protection of Persons and Property	\$ 109,670	\$ 120,582	\$ 463	\$ -	\$ 96	\$ -	230,811	\$ -	
Transportation	1,245	402,561	35	-	7,820	-	411,661	37,250	
Resource Management	101,042	182,254	6,723	-	4,399	-	294,418	13,361	
Economic and Manpower Development	65,685	143,719	18	-	1,965	-	211,387	7,808	
Education	787,334	82,420	16,780	-	7,448	-	893,982	7,905	
Health and Social Services	563,656	285,854	-	-	292	-	849,802	26,314	
General Government	246,454	28,403	27,643	51	2,678	-	305,229	23,333	
Total Current Expenditures	\$ 1,875,086	\$ 1,245,793	\$ 51,662	\$ 51	\$ 24,698		\$ 3,197,290	\$ 115,969	
Capital Outlay	14,997	403,799	67,541	-	7,315	-	493,652	1,497	
Debt Service	14,258	12,163	22	352,286	-	-	378,729	40,688	
Grants and Subsidies	6,916,529	3,243,630	61,104	-	875,947	-	11,097,210	110,745	
Total Expenditures	\$ 8,820,870	\$ 4,905,385	\$ 180,329	\$ 352,337	\$ 907,960		\$ 15,166,881	\$ 268,897	
Excess of Revenues Over (Under) Expenditures	\$ 1,521,361	\$ 477,482	\$ (166,087)	\$ (314,575)	\$ (429,809)		\$ 1,088,372	\$ (110,603)	
Other Financing Sources (Uses):									
General Obligation Bonds	\$ -	\$ 12,650	\$ 152,850	\$ -	\$ -	\$ -	\$ 165,500	\$ 29,607	
Revenue Bonds	-	4,250	-	-	-	-	4,250	-	
Operating Transfers-In	69,716	743,084	67	320,331	439,347	-	1,572,545	20,436	
Operating Transfers to Debt Service	(295,481)	(10,670)	(12,766)	-	(1,414)	-	(320,331)	-	
Other Operating Transfers-Out	(115,185)	(1,041,537)	(146)	-	(10,067)	-	(1,166,935)	(85,606)	
Transfers-In from Primary Government	-	-	-	-	-	-	-	174,854	
Transfers-Out to Primary Government	-	-	-	-	-	-	-	(5,233)	
Transfers-In from Component Units	-	-	-	10,471	-	-	10,471	-	
Transfers-Out to Component Units	(694,565)	(17,237)	(57,682)	-	(2,296)	-	(771,780)	-	
Capital Leases	4,740	3,286	-	-	-	-	8,026	-	
Net Other Financing Sources (Uses)	\$ (1,030,775)	\$ (306,174)	\$ 82,323	\$ 330,802	\$ 425,570		\$ (498,254)	\$ 134,058	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 490,586	\$ 171,308	\$ (83,764)	\$ 16,227	\$ (4,239)		\$ 590,118	\$ 23,455	
Fund Balances, July 1, as Reported	\$ 1,418,872	\$ 1,021,680	\$ 250,235	\$ 333,010	\$ 977,546		\$ 4,001,343	\$ 205,774	
Prior Period Adjustments	(423,838)	(89,608)	-	-	-	-	(513,446)	-	
Changes in Accounting Principles	-	-	-	-	-	-	-	21,175	
Fund Balances, July 1, as Restated	\$ 995,034	\$ 932,072	\$ 250,235	\$ 333,010	\$ 977,546		\$ 3,487,897	\$ 226,949	
Residual Equity Transfers-In	171	-	-	3,601	-	-	3,772	-	
Residual Equity Transfers-Out	-	(83)	(3,593)	-	(1,352)	-	(5,028)	(9,595)	
Change in Inventory	-	(200)	-	-	-	-	(200)	-	
Fund Balances, June 30	\$ 1,485,791	\$ 1,103,097	\$ 162,878	\$ 352,838	\$ 971,955		\$ 4,076,559	\$ 240,809	

The notes are an integral part of the financial statements

STATE OF MINNEOTA
AVERAGE DAILY PUBLIC SCHOOL MEMBERSHIP

<u>School Year</u>	<u>Kindergarten</u>	<u>Elementary</u>	<u>Secondary</u>	Total <u>All Grades</u>
1987-88	61,915	327,518	323,314	712,747
1988-89	61,917	340,969	315,349	718,235
1989-90	62,002	353,944	312,545	728,491
1990-91	63,886	363,978	317,730	745,594
1991-92	67,310	372,558	323,891	763,759
1992-93	68,320	377,274	374,299	819,893
1993-94	65,872	378,214	337,314	781,400
1994-95	65,732	380,891	360,777	807,400
1995-96	66,672	383,458	372,345	822,475
1996-97	63,575	375,683	371,147	810,405

Source: Minnesota Department of Children, Families, and Learning

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500
(Dollars in Thousands)

<u>Rank</u>		<u>Company</u>	<u>Sales</u>	<u>Assets</u>	<u>Rank</u>	<u>Net Income</u>	<u>Rank</u>
<u>1996</u>	<u>1995</u>						
27	28	Dayton Hudson	\$25,371,000	\$13,389,000	174	463,000	178
70	57	Supervalu	16,486,300	4,183,500	324	166,400	329
81	62	Minnesota Mining & Manufacturing	14,236,000	13,364,000	175	1,526,000	48
140	232	United Healthcare	10,073,800	6,851,100	251	355,600	216
147	143	Northwest Airlines	9,880,500	8,412,300	229	536,100	155
165	170	Norwest Corp.	8,882,900	80,175,400	35	1,153,900	73
195	197	Honeywell	7,311,600	5,493,300	275	402,700	201
200	262	Best Buy	7,217,400	1,890,800	445	48,000	433
238	244	St. Paul Companies	6,095,200	20,681,000	123	450,100	186
264	156	General Mills	5,416,000	3,294,700	368	476,400	173
355	371	First Bank System	3,839,600	36,489,000	77	739,800	116
404	437	Nash Finch	3,322,700	945,500	484	20,000	449
437	409	Hormel Foods	3,098,700	1,436,100	466	79,400	405
483	-	Lutheran Brotherhood	2,713,200	14,459,700	161	158,700	335
489	476	Northern States Power	2,654,200	6,636,900	254	274,500	259

Source: Fortune Magazine, dated April 28, 1997.

STATE OF MINNESOTA
MISCELLANEOUS STATISTICS
JUNE 30, 1997

Date of Statehood May 11, 1858 - 32nd State
Land Area - 12th Largest State 84,068 Square Miles

Higher Education:

2 Year State Community Colleges	9
4 Year State Universities	7
University of Minnesota	4 Campuses
2 Year Technical Colleges	7
2 Year Consolidated Community/Technical Colleges	28 Campuses
4 Year Private Colleges	25
2 Year Private Colleges	6
Private Professional Schools	10
Private Vocational Schools	83

Trade Routes:

Miles of Highways	134,075
Miles of Main Line Railroad Track	4,783
Public Airports	144
Waterways-	
Lake Superior	
Mississippi River	

Recreation:

Lakes	11,842
State Forests	57
Area of State Forests	3,200,000 Acres
State Parks	68
Area of State Parks	240,384 Acres

Sources: Higher Education Services Office
Minnesota State Colleges and Universities
Department of Natural Resources
Department of Transportation

STATE OF MINNESOTA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND APPROPRIATED SPECIAL REVENUE FUNDS
BUDGETARY BASIS**

**YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)**

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUNDS</u>		
	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>		<u>VARIANCE</u>
				<u>FAVORABLE</u>	<u>(UNFAVORABLE)</u>	<u>FAVORABLE</u>
	BUDGET	ACTUAL				
Net Revenues:						
Individual Income Taxes	\$ 4,540,000	\$ 4,768,366	\$ 228,366	\$ -	\$ -	\$ -
Corporate Income Taxes	671,600	680,898	9,298	-	-	-
Sales Taxes	3,040,428	3,007,290	(33,138)	-	-	-
Motor Vehicle License Taxes	-	-	-	476,871	486,255	9,384
Fuel Taxes	-	-	-	550,688	540,965	(9,723)
Other Taxes	1,112,387	1,146,929	34,542	192,686	197,260	4,574
Federal Revenues	-	-	-	247,013	306,236	59,223
Other Intergovernmental Revenues	245,961	324,324	78,363	-	-	-
License Fees	-	-	-	84,583	85,900	1,317
Care and Hospitalization Revenues	-	527	527	-	-	-
Tuition and Student Fees	227,981	267,289	39,308	-	-	-
Departmental Services	38,253	82,846	44,593	70,808	50,740	(20,068)
Investment/Interest Income	104,000	118,381	14,381	15,588	19,348	3,760
Other Revenues	191,786	141,223	(50,563)	42,050	37,906	(4,144)
Net Revenues	\$ 10,172,396	\$ 10,538,073	\$ 365,677	\$ 1,680,287	\$ 1,724,610	\$ 44,323
Expenditures:						
Protection of Persons and Property	\$ 144,972	\$ 140,831	\$ 4,141	\$ 85,862	\$ 84,323	\$ 1,539
Transportation	15,811	11,376	4,435	903,768	894,409	9,359
Resource Management	159,737	156,871	2,866	137,971	127,173	10,798
Economic and Manpower Development	170,604	168,219	2,385	1,205	1,119	86
Education	4,548,236	4,478,758	69,478	1,200	1,073	127
Health and Social Services	3,290,171	2,842,189	447,982	160,398	97,781	62,617
General Government	1,693,242	1,689,001	4,241	5,916	5,109	807
Total Expenditures	\$ 10,022,773	\$ 9,487,245	\$ 535,528	\$ 1,296,320	\$ 1,210,987	\$ 85,333
Excess of Revenues Over (Under) Expenditures:						
Expenditures	\$ 149,623	\$ 1,050,828	\$ 901,205	\$ 383,967	\$ 513,623	\$ 129,656
Other Financing Sources (Uses)						
Operating Transfers-In	\$ 206,736	\$ 220,336	\$ 13,600	\$ 607,705	\$ 619,769	\$ 12,064
Operating Transfers to Debt Service	(241,345)	(241,345)	-	(7,753)	(7,305)	448
Other Operating Transfers-Out	(153,667)	(153,667)	-	(1,024,573)	(1,024,435)	138
Transfers-Out to Component Units	(567,129)	(567,129)	-	(3,864)	(3,764)	100
Net Other Financing Sources (Uses)	\$ (755,405)	\$ (741,805)	\$ 13,600	\$ (428,485)	\$ (415,735)	\$ 12,750
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses:						
(Under) Expenditures and Other Uses	\$ (605,782)	\$ 309,023	\$ 914,805	\$ (44,518)	\$ 97,888	\$ 142,406
Fund Balances, July 1, 1996, as Reported	1,357,374	1,357,374	-	402,433	402,433	-
Prior Period Adjustments	-	(25,854)	(25,854)	6,982	10,885	3,903
Estimated Appropriation Cancellations	21,000	-	(21,000)	-	-	-
Budgetary Fund Balances, June 30, 1997	\$ 772,592	\$ 1,640,543	\$ 867,951	\$ 364,897	\$ 511,206	\$ 146,309
Less Appropriation Carryover	-	244,335	(244,335)	17,801	32,936	(15,135)
Less Reserve for Other	-	-	-	10,312	83	10,229
Less Budgetary Reserve	583,500	583,500	-	-	-	-
Undesignated Fund Balances, June 30, 1997	\$ 189,092	\$ 812,708	\$ 623,616	\$ 336,784	\$ 478,187	\$ 141,403

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS,
AND DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 1997
(IN THOUSANDS)

	PROPRIETARY FUND TYPES	INTERNAL SERVICE	FIDUCIARY FUND TYPES	NONEXPENDABLE TRUST	PRIMARY GOVERNMENT TOTALS FOR THE YEAR ENDED (MEMORANDUM ONLY)	COMPONENT UNITS
	ENTERPRISE		PENSION TRUST		JUNE 30, 1997	
Operating Revenues						
Net Sales	\$ 414,067	\$ 19,538	\$ -	\$ 7,514	\$ 441,119	\$ 15,679
Contributions	-	-	\$ 32,324	-	32,324	-
Interest Income	494	-	-	-	494	160,239
Investment Income	-	-	\$ 42,056	\$ 34,196	76,252	55,051
Rental and Service Fees	60,588	96,038	-	-	156,626	209,197
Insurance Premiums	16,920	228,738	-	-	245,658	75,220
Realized and Unrealized Gains	-	-	\$ 75,405	-	75,405	-
Other Income	4,316	3,839	1,101	704	9,960	4,058
Total Operating Revenues	\$ 496,385	\$ 348,153	\$ 150,886	\$ 42,414	\$ 1,037,838	\$ 519,444
Less Cost of Goods Sold	292,349	10,232	-	-	302,581	-
Gross Margin	\$ 204,036	\$ 337,921	\$ 150,886	\$ 42,414	\$ 735,257	\$ 519,444
Securities Lending Revenues (Expenses):						
Securities Lending Income	\$ -	\$ -	\$ 2,878	\$ -	\$ 2,878	\$ -
Borrower Rebates	-	-	(2,652)	-	(2,652)	-
Management Fees	-	-	(67)	-	(67)	-
Net Securities Lending Revenues	\$ -	\$ -	\$ 159	\$ -	\$ 159	\$ -
Operating Expenses						
Refunded Contributions	\$ -	\$ -	\$ 16,536	\$ -	\$ 16,536	\$ -
Interest and Financing Costs	-	-	-	-	154,736	154,736
Purchased Services	56,318	156,427	862	88	213,695	68,468
Investment Management Fees	-	-	77	20	97	-
Salaries and Fringe Benefits	46,207	28,326	74	4,518	79,125	169,739
Claims	16,375	129,895	-	-	146,270	(14,926)
Depreciation	7,020	18,736	-	-	25,756	63,143
Amortization	25	196	-	-	221	516
Supplies and Materials	6,812	5,045	10	-	11,867	17,918
Indirect Costs	3,980	2,245	1	-	6,226	403
Other Expenses	4,643	1,218	-	-	5,861	22,178
Total Operating Expenses	\$ 141,380	\$ 342,088	\$ 17,560	\$ 4,626	\$ 505,654	\$ 482,175
Operating Income (Loss)	\$ 62,656	\$ (4,167)	\$ 133,485	\$ 37,788	\$ 229,762	\$ 37,269
Nonoperating Revenues (Expenses):						
Investment Income	\$ 6,243	\$ 6,549	\$ -	\$ -	\$ 12,792	\$ 60,806
Participant Contributions	-	-	4,639	-	4,639	-
Grants and Subsidies	3,728	-	-	-	3,728	73,496
Other Nonoperating Revenues	3,070	2	-	-	3,072	17,923
Interest and Financing Costs	(2,329)	(1,955)	-	-	(4,284)	(34,892)
Participant Withdrawals	-	-	(2,694)	-	(2,694)	-
Grants, Aids and Subsidies	(3,517)	-	-	-	(3,517)	(99,366)
Other Nonoperating Expenses	-	-	-	-	-	(8,846)
Gain (Loss) on Sale of Fixed Assets	7	80	-	49	136	(3,739)
Net Nonoperating Revenues (Expenses)	\$ 7,202	\$ 4,676	\$ 1,945	\$ 49	\$ 13,872	\$ 5,382
Income Before Operating Transfers	\$ 69,858	\$ 509	\$ 135,430	\$ 37,837	\$ 243,634	\$ 42,651
Operating Transfers-In	4,999	-	902	25,092	30,993	79,372
Operating Transfers-Out	(68,373)	(9,517)	(2,431)	(37,568)	(117,889)	(14,202)
Transfers-In from Primary Government	-	-	-	-	-	17,882
Net Income (Loss)	\$ 6,484	\$ (9,008)	\$ 133,901	\$ 25,361	\$ 156,897	\$ 125,703
Depreciation on Fixed Assets Acquired with Contributed Capital	365	-	-	-	365	31,314
Increase (Decrease) in Retained Earnings/Fund Balances	\$ 6,849	\$ (9,008)	\$ 133,901	\$ 25,361	\$ 157,262	\$ 157,017
Retained Earnings/Fund Balances, July 1, as Reported	\$ 149,090	\$ 82,191	\$ 13,157,187	\$ 587,073	\$ 13,975,541	\$ 1,055,171
Prior Period Adjustments	(1,200)	284	-	-	(916)	(1,214)
Net Pension Elimination	-	-	(12,605,876)	-	(12,605,876)	-
Changes in Accounting Principles	-	-	-	-	-	(277)
Retained Earnings/Fund Balances, July 1, as Restated	\$ 147,890	\$ 82,475	\$ 551,311	\$ 587,073	\$ 1,368,749	\$ 1,053,680
Residual Equity Transfers-In	-	-	-	1,352	1,352	-
Residual Equity Transfers-Out	-	(96)	-	-	(96)	-
Retained Earnings/Fund Balances, June 30	\$ 154,739	\$ 73,371	\$ 685,212	\$ 613,786	\$ 1,527,267	\$ 1,210,697

The notes are an integral part of the financial statements

GENERAL FIXED ASSETS ACCOUNT GROUP

The *General Fixed Assets Account Group* is maintained to account for fixed assets acquired or constructed for use by the state, other than those accounted for in proprietary and fiduciary funds.

GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP

The General Long-Term Obligation Account Group accounts for unmatured principal of bonds, notes and other forms of long term indebtedness which are not accounted for in proprietary or fiduciary funds.

